FINANCIALTIMES

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World News

### Tuesday April 25 1989

### **EC** moves to co-ordinate **East bloc** trade policy

EC foreign ministers suspended economic co-opera-tion talks with Romania amid allegations of human rights abuses, but they also gave Poland the prospect of a quick and relatively generous EC trade accord. Page 20

Arms trade charges Three Protestants from Northern Ireland and a US business man have been charged in Paris following their arrest as they gave missile-launcher parts to a South African diplomat. Page 11

**UK air security** UK Transport Secretary Paul Channon announced a major security clampdown in a bid to make Britain's airports safer. Page 20

Austrian 'disservice' Austrian Chancellor Franz Vranitzky, said the coalition government would be "ren-dered a disservice" if rightwinger Jörg Haider was elected a governor. Page 3

Belgium protest Coal miners protesting over planned pit closures clashed with police. Page 2

French defence cut Defence spending is certain

to sag as a result of this year's review of the defence programme. Page 2 iranian constitution

Avatollah Khomeini, the Iranian leader, appointed a com-mittee to revise the country's

Takeshita denial Mr Noboru Takeshita, belea guered Japanese Prime Minis-ter, denied reports he is about to resign over the Recruit scan-

dal. Page 4

Bush's 'good start' President George Bush claimed to have made "a good start" in his first three months in office, as he began a four-day tour across the US.

Soviet AIDS test Soviet Union announced that all foreigners who leave the country for more than a month must submit to an AIDS test on return.

Township violence Renewed fighting in South African black townships near Durban left 13 dead.

Ex-president dies Niger's first president Diori

Hamani, 73, died in Morocco. The death was also announced in the US of Dr Emilio Segre. 84, winner of a Nobel Prize for creating the antiproton, which confirmed existence of antimatter.

**UK news blackout** UK television news by the BBC was disrupted by a 24-hour strike by journalists over pay. Page 11

Karajan retires Herbert von Karajan, the 81lin Philharmonic, announced his retirement.

Royal aircraft Sweden's royal family will get a new aircraft after Queen Sil-via complained their old one

# payout and

chemicals group, announced a major corporate and financial restructuring, a 33 per cent surge in 1988 net earnings and a 21 per cent rise in the shareholders' dividend. Page 21

NICKEL prices rose sharply on the London Metal Exchange yesterday after Outokumpu, he Finnish mining and metals

Cash metal (\$ per tonne) 16000 14000 Nov 88

group, declared force majeure on nickel deliveries because of an explosion at its Harjavalta smelter. Page 36

of the UK's leading investment banks, made 33 people redun-dant as part of a restructuring of gilt-edged and debt operations. Page 11

SMITHKLINE BECKMAN, US drugs group which is seeking to merge its main business with Beecham of the UK, reported a 22 per cent drop in net income. Page 21

PORTUGAL warned its EC partners that Gatt trade talks might cause "a social and economic earthquake" in its textile sector. Page 2

CANAL PLUS, the French pay television network, is to join forces with CIR of Italy to study launching pay TV in that country. Page 3

WEST GERMANY'S Cartel. . Office said it ruled against the planned Deimler-Benz and Messerschmitt-Bölkow-Blohm (現なな) 田

BANK OF GREECE, the country's central bank, is expected to sound a warning on the country's rapidly rising public sector deficit. Page 2

**CATHAY PACIFIC Airways**, the Hong Kong airline, and Cable and Wireless (HK) are to form a joint venture company marketing the Abacus reservation system. Page 6

MINMETALS of China is refusing to reveal the price it agreed

NISSAN, the Japanese motor company, will import about \$750,000 in semiconductors

from Intel of the US. Page 6 SEARS, ROEBUCK, world's largest retailer, reported a 56 per cent rise in net profits to \$257.7m for the first quarter

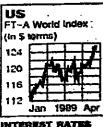
of 1989. Page 24 HANNA, a US plastics company, is looking at possible acquisitions in Europe as part

BRAZIL and China are to ventures with a joint project aimed at Third World customers. Page 6

computer staff agency, is con-tinuing its expansion into the US with the purchase of Starlex. Page 31

the IMF and the World Bank in Washington, Page 4 WORLD INDEX: Percentage changes in local currencies are introduced today covering

### was too cramped for her hats, a palace spokeswoman said. MARKETS



Federal Funds 875

yield. 8.98% (8.97) close 13 4 (same)

STERLING . New York close \$1,70585 (1,7135) 51.7050 (1.7150) DM3.1725 (3.1700) FFr10.7500 (10.7575) \$Fr2.8000 (same) Y224.25 (225.25) New York close DM1,86075 (1,84905)

FFr6.3075 (6.2745) Y131.555 (131.45) London: DM1.8610 (1.8485) FFr6.3050 (6.2725) SFr1.6425 (1.6325) CLOD.

New York \$391.70 (+3.50)

STOCK INDICES New York close Dow Jones Ind. Av. 2,402.68 (-8.78) S&P Comp 308.69 (-0.92) London: FT-SE 100 2,082 D (+1.0) 145.02 (Fri) Tokyo Nikkei Ave 32,805.92 (-223.89) Commerzbank

1,714,5 (-2.9) Brent 15-day (Argus) \$20.25 (-0.25) (May) West Tax Crude \$21.125 (+0.05)

### **Business Summary Roche boosts**

# restructures shareholding

Hoffmann-La Roche, the Swiss

KLEINWORT BENSON, one

monopoly fears. Page 3

to pay for New Zealand Steel
- believed to be around

\$245.2m. Page 25

of its plan to double its annual sales to \$2bn by 1993. Page 30 expand co-operation in satellite

COMPUTER PEOPLE, the UK

SRI LANKA reopens talks with

national and regional constitu-ents of the FT-Actuaries World Index. Page 45 political reform.

ate change.

dents intend to maintain their protests until the 70th anniversary of the May 4 movement, in two weeks, when huge railies are planned around the country. The anniversary commemorates the 1919 rebellion of 5,000 Peking students who took to the streets advocating democracy. By opting to continue their protests, the students have embarked on a collision course with the both the party and the Government, which, though relatively restrained in

and a renewed policy of liberalisation.

They also want those who "injured students" during last week's protest rallies in Peking to be "seriously pun-ished." According to students, as many as 100 of their number suffered at the hands of police during the demonstrations that culminated in a march on Communist Party headquarters on Tuesday and

collecting money for those they say were injured. They were also raising funds for the publication of their arguments and demands, which are not being circulated in the official

37

### CONTENTS

Tanzania stays on recovery road, potholes and all

21-22



President Ali Hassan Mwinyi (left) is determined to press ahead with economic reforms. He told par-liament: "Problems are still there, but what is emerging is that our efforts are not for nothing." Page 20

No limits to travel ... Europe: Liberalism versus nationalism ....... 19 Lex: RHM, Tootal, Hoffmann-La Roche ......20 Survey: Switzerland Agriculture ...... Arts-Reviews ..... World Guide .... ing. Capral Markets 28-27 Letters 19 Lex 20 -Wall Street -London .. Unit Trusts World Index

Asian tiders \_

# Britain joins US to stop Bonn's Soviet arms talks meeting of Nato's nuclear plan-ning group supported the case

THE US and British Governments yesterday embarked on a diplomatic offensive within Nato aimed at putting pressure on West Germany to abandon its call for talks with the Soviet Union on the reduction of short-range nuclear weapons in Europe. In Washington, Mr James Baker, US Secretary of State, met Mr Hans-Dietrich Genscher, the West German Foreign Minister, and Mr Gerhard Stoltenberg, the Defence Minister, to spell out US opposition to the Bonn plan.

In London, it emerged that President Bush and Mrs Mar-garet Thatcher had had a 20minute telephone conversation on Saturday to voice their shared concern and to agree a strategy for combating the West German stand. One of their concerns is that Bonn's approach could split the Nato countries at their summit in Brussels at the end of May.
In the US, sympathy for
Chancellor Helmut Kohl's Government is mixed with alarm at the speed with which, ahead of next year's elections, he

RHM turns tables on

RHM BID HISTORY

AUGUST 1986: Goodman

Fielder acquires 14.6 per cent

FEBRUARY 1987: RHM bids

APRIL 1987: RHM raises bid

and wins Avana. Goodman

buys more RHM to prevent

AUGUST 1987: Goodman

increases stake to 21 per

OCTOBER 1987: Goodman

increases its stake to 29.9 per cent but says it will not bid for

JULY 20, 1988: Goodman launches £1.7bn bld for RHM

which is rejected. AUGUST 1988: Bid is referred

to the Monopolies and Merg-ers Commission because of

the financing structure. SEPTEMBER 1988: Goodman

abandons bid. APRIL 1989: RHM launches

"GFW's takeover bid was

cash offer which would Lavi-left Ranks shareholders with

only a very limited interest in

the combined business," Mr

managing director, said in Syd-

"Our offer is a share offer,

albeit with a cash alternative.

Secondly, our cash offer is not debt funded, whereas theirs was highly leveraged."

The UK company also argues

that the two business are com-

plementary, and that owner-

ship of Goodman would give

RHM a bridgehead into the Asian food markets, where it

Tim Howden, RHM

bid for Goodman.

£243m in shares for Avana.

Australian predator

with bid of £1.33bn

By Nikki Talt in London and Bruce Jacques in Sydney

in RHM.

RANKS Hovis McDougall, the British bakeries and food group, has launched a £1.33bn

(\$2.3bn) shares or cash bid for Goodman Fielder Wattie, the

largest food company in Aus-

tralasia, which launched an unsuccessful bid for RHM last

The RHM bid turns the

tables on Sydney-based Good-man, which has been stalking the UK group since it acquired an initial 14.6 per cent holding from S & W Berisford in

Goodmans highly leveraged hid last year came after it had raised its stake to 29.9 per cent and valued RHM at £1.7bn.

However, the offer was referred to the UK Monopolies

and Mergers Commission and

was not pursued by Goodman.

The following autumn, Good-man attempted to auction its stake but found no takers.

If successful, the RHM bid

would create a group with annual sales of some £3bn, of

which some 45 per cent would

come from milling and baking

and another 42 per cent from consumer foods. Goodman told shareholders

not to sell 'h eshares p ding full considera fon by the board,

adding it was not informed of

RHM staged a "dawn raid"

in Sydney and by the close of

trading had acquired 10.1 per cent of Goodman's shares. It

said it would continue to pur-

chase them up to a permitted 14.99 per cent limit, and is

believed to have made very

small additional purchases in

RHM claimed there were

fundamental differences

between its own offer and

the bid in advance.

August 1986.

appears to be jettisoning defence policies. These include the recent decision to scrap plans to extend military conscription and the move to seek "speedy" East-West negotiations on short-range missiles, including for the first time

muclear artillery.

Mr Bush, travelling outside
Washington, said he had
appealed to Mr Kohl "that we
keep Nato together, that we
stay together". He said the
Chancellor "knows my view Chancellor "knows my view that there must not be any unilateral fait accompli here.

The terms of the Ranks offer, which is conditional on various

Australian regulatory approv-als, are four RHM shares for every 11 Goodman held.

ten cash alternative of £1.23 (A\$2.71) a share.

There is also an underwrit-

The RHM board says that it

does not intend to increase the

offers, although this is not technically binding. If successful, the British company plans

to cancel the Goodman stake

Morgan Grenfell, which is

advising RHM, said the sub-un-

derwriting for the cash alterna-tive - the largest such exercise in a bid since the 1987 stock-

market crash - had been sub-stantially completed by late-af-ternoon. It said it had taken a

small sub-underwriting pos-

The buying pushed Goodman shares up from an opening quote of A\$2.01 to \$A2.55 (\$1.6). RHM shares fell from

389p to 365p. RHM, which takes in the Mr

Kipling, Bisto and Saxa names as well as Hovis and Mothers

Pride, made pre-tax profits of £156.6m in the year to Septem-ber, on sales of around £1.6bn.

It is forecasting pre-tax profits

of not less than £81m (£72.5m)

and earnings per share of 15.2p

(13.2p) for the 26 weeks to

March 4. Goodman takes in names

like Buttercup, Meadow Lea margarine, and White Wings. In the year to end-June it

reported operating profit before income tax of A\$268.2m (including the equity account-

ing of its RHM stake) on sales

Lex, Page 20, Bisto Kid, Page

of over A\$2.1bn.

in RHM.

Before flying to the US, Mr Genscher had said on West German radio that it was in the West's interest to negotiate on short-range weapons, where the Soviets have an advantage

of between 10-1 and 14-1.
The US and the UK adamantly oppose such talks because they could lead to the elimination of all nuclear weapons in Europe, and there-fore increase the threat to Western Europe from the Warsaw Pact's superior conventional forces.

There were denials at gov-

Prime Minister Zeid al-Rifai:

resignation accepted

Transition

for Jordan

By Lamis Andoni

in Amman

government

ernment level in London yes-terday that Mr Genscher and Mr Stoltenberg were to hold talks in London on their way back from Washington, at the request of Mrs Thatcher.

The Prime Minister is in any event due to meet Mr Kohl on Sunday at his home near Oggesheim in Rhineland-Palatinate, where she will tackle their sharp differences. Britain's annoyance with West Germany's call for "early" negotiations with the

Soviets became increasingly

for maintaining an "entire spectrum" of nuclear weapons, although there was no explicit commitment on new weapons. The UK Government's line is that there is a crucial need for the Nato summit to demonstrate firmness in the face of changes in Soviet strategy which have yet to be proved. The huge, remaining imbal-ances in favour of Soviet nuclear and chemical stockpiles were again being

# clear yesterday. Last week, a Deregulation of **EC** telecoms may be delayed

PLANS to introduce greater competition into data telecom-munications services in the European Community are likely to be delayed as a result of a serious row between member states and the European

Sir Leon Brittan, Competi-tion Commissioner, and Mr Filipo Maria Pandolfi, Commissioner in charge of telecommu-nications, have called the EC's 12 industry ministers to a private dinner in Luxembourg tomorrow to discuss Commission proposals for de-regula-tion of the Ec64bn (\$70bn) a

year industry.

They are prepared to offer a KING HUSSEIN of Jordan yesterday accepted the resignaone-year extension, until January 1992, of the Commission's tion of his Prime Minister, Mr Zeid al-Rifai, and his Cabinet, in an effort to overcome a deadline for exposing basic data transmission to competipolitical crisis following widetion from private operators. Member states were enraged

spread riots against price increases imposed by the Gov-ernment under an Internaat a Commission announce ment, in the form of a proposed tional Monetary Fund reform directive, at the end of last year aimed at phasing out monopolies in telecommunica-The King is soon expected to appoint a transitional Governtions services by January 1991, ment with the task of supervisthe most spectacular use of an EC treaty provision allowing ing the first parliamentary elections since the Arab-Israeli the Commission to propose and adopt laws without consulting member states fully. war of 1967.

He will complete a series of

wide-ranging consultations with senior Jordanians on ways of restoring public confi-The proposed directive would apply to most data services including facsimile and before making an appointment.
Meanwhile, Government
departments will be run by exclude telex and voice services, the largest but slowestgrowing parts of the industry.

their secretaries-general The 17-man Commission has according to an official statethe formal power to proceed regardless, but a majority of its ment last night. In resigning, Mr Rifai, who members does not want this row over national sovereignty had been Prime Minister since 1985, bowed to popular presto jeopardise the overall plan sure after thousands of de for a single market across the strators in different parts of Jordan called for his removal. Community in telecommunications.

King Hussein's acceptance of

Continued on Page 20

of the Treaty of Rome to enforce free competition last May in the Ecu9.5bn a year telecommunications terminal equipment market.
While all EC governments

supported the aim of the plan, France, West Germany, Belgium and Italy took the Commission to court for allegedly exceeding its powers. They are likely to do the same again if it adopts the services directive. This row is more serious

because the governments with the strongest public telecom-munications monopo-lies – France, Spain, Italy and Greece - object to the Com-mission's aims as well as its

They want to keep the provi-sion of basic data communications as the telecommunications authorities' exclusive preserve indefinitely, in contrast to the liberal UK which supports at least the content of the plan, in spite of its usual sensitivities over the Commission's encroachments on national sovereignty.

Under the original scheme, value added services, such as data banks, financial transactions and tele-shopping, would be open to private operators immediately, but national monopolies in basic data trans-mission would get a grace period until January which may now be stretched to January 1992.

Data transmission of all kinds accounts for a tiny percentage of telecommunications authorities' earnings, yet it is growing at up to 25 per cent a year, say officials.

National authorities which keep a strong grip on this lucrative market are unwilling to be undercut by private operators, as has happened in Denmark and the Netherlands.

### Goodman's bid last year. currently has only a small University elite join the student strike for democracy in China

By Peter Eilingsen in Peking

CHINA'S three elite universities, Peking, Qinghua and the Peoples' University, along with other campuses in the capital, went on strike yesterday in support of student demands for human rights and

lemocracy. In a continuation of the unprecedented demonstrations that began 10 days ago, follow-ing the death of the former Communist Party secretary Hu Yaohang, students boycotted classes to attend protest meet-

At the biggest rally, at Peking University, about 10,000 students discussed a campaign to secure concessions from the party. Standing on a platform and shouting through a loudspeaker, student leaders announced that believe links with the party of the standard s Peking University's union had been dissolved and would be replaced by an elected body with a brief to force the Govt into a dialogue over

"We're fighting for democracy and human rights," one speaker said to a huge cheer from the crowd. "We want to organise to oppose dictatorship. We're going to try to cre-

Though no clear strategy emerged from yesterday's meetings, it appears that stu-

their response up to now, have shown no interest in liberal The students have demanded

a review of the party's deci-sion to sack Hu in the wake of student unrest in late 1986, greater accountability of senior party figures, freedom of the press, "just reporting,"

Wednesday. Yesterday, students were

Continued on Page 20

Soviet Union: Party braced for poll post-mor-

Turkey: Ozal caught between inflation and

india: Stepping into the export shoes of the

Editorial comment: Confidence in Hong Kong;

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same powers under Article 90

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FRENCH defence spending is certain to sag below previously projected targets because of this year's scheduled review of the multi-annual defence programme, and it may move sharply downwards if the Finance Ministry gets its way.

The prospect of defence spending cuts, currently the subject of fierce debate among the Prime Minister, the Defence Minister and the Finance Minister, seems cer-tain to provoke bitter protests from the right-wing opposition parties when revised figures are presented for approval in Parliament.

The rapid increases in defence spending planned under the 1987 multi-annual defence budget law, designed to raise defence spending as a percentage of GDP from 3.72 to 3.99 in 1991, were described at the time by the right-wing sec-

Portugal warns

EC on future of

PORTUGAL yesterday warned

its European Community part-ners that the Gatt trade talks

might cause "a social and eco-

nomic earthquake" in its tex-

But the Lisbon Government

won only a vaguely-worded commitment for a European

Commission study of "appro-

priate proposals" to help with possible textile sector restruct-

uring. The UK said Portugal,

one third of whose exports are textiles, should get no special

aid, but should draw on newly

increased EC structural funds.

politically sensitive of the four

sectors, in which major partici-

pants in the Gatt talks recently

reached interim agreement in

the current special restrictions

Fibre Arrangement – should

be scrapped only if there was a

general opening of all markets,

equal competitive conditions,

and temporary safeguards.

EC ministers stressed that

Textiles emerged as the most

textiles sector

By David Buchan

in Luxembourg

tile sector.

retary of the Defence Committee of the National Assembly as "very ambitious". This is unlikely to prevent the rightwing parties, now they are in opposition, from decrying any attack on the defence budget by the Socialist Government. Mr Jean-Pierre Chévène-ment, the Finance Minister, is stoutly resisting the demands of the Finance Ministry, in the hope of staying as close as possible to the rising trend of defence spending prescribed in the 1987 Loi de Programma-

But Mr Michel Rocard, the Prime Minister, is determined that the overall French budget deficit will continue on its downward trend, and it already seems clear that he will in the end require severe revisions in the Defence Ministry's spending plans. At this stage Mr Rocard has

reached no final decision on the overall defence equipment budget for the next four years. But he is forcing Mr Chevene-ment to face the consequences of some uncomfortable budgetcutting choices, including delay, scale-back, or even can-cellation of big weapons

Last Friday Mr Rocard squared his position on the choices lying ahead at a meeting with President François Mitterrand, who by tradition has the final say on big defence policy choices under the Fifth Republic. This was a prudent preparation for a long and apparently difficult discussion which Mr Rocard had with Mr Chévenement on Sunday.

In the current 1989 budget, French military equipment spending is scheduled at FFr112bn (\$17.6bn), up 5.7 per

cent on 1988. The 1987 Loi de Programmation would require further increases in military equipment expenditure in the years ahead, to total FFr470bn (in 1989 francs) over the next

four years.
Under pressure for budget savings, the Defence Ministry has started to envisage a num ber of lesser budgetary hypotheses, with four-year totals of between FFr433bn and FFr450bn. But the Finance Ministry is reportedly demand-ing that this four-year total should be reduced to under FFr400bn, which implies a real reduction in absolute terms of

the equipment budget.

Mr Rocard has reportedly called on the Defence Ministry to examine the hudgetary consequences of making savings in a number of defence equipment programmes, both naval

These hypothetical revisions include a cut in the number of "pre-strategic" Hades mobile land-based missiles, from 120 to 95; a stretching of the construction programme for the new generation nuclear ballistic missile submarine; and a can-cellation of the Charles de

Gaulle aircraft carrier. Mr Rocard does not believe France should give up any of its existing four military missions: nuclear deterrence, home defence, European defence, and out-of-area force projection. But he believes France can and must make sig-

nificant savings.

A delay of a year in the in service date of the FFr60hn Charles de Gaulle, from 1996 to 1997, would save FFr2.5bn; a delay of a year in the new nuclear missile submarine, from 1994 to 1995, would save FFribn. If the Charles de

By Laura Raum in Amsterdam

THE Dutch government, after

months of bargaining between

ministers, is almost ready to announce details of a National

Environment Plan designed to

slash all pollution by 70 to 90

per cent by the year 2010. The plan, the most ambitious

and wide-ranging blueprint for

ecological policy ever announced by a European

Community member, is expec-

ted to be finally accepted by the whole Cabinet on Friday.

At the same time ministers

will approve the broad outlines

Central to the plan is the "polluter pays" method of fin-

ancing environmental care, with government subsidies kept to a minimum. Costs of

the plan are expected to climb

to Fl 6.6bn (£1.85bn) in 1994, with around Fl 3.4bn paid by

consumers through higher

prices, Fl 2bn through higher

indirect taxes and the remain-

ing Fl 1.2bn through savings in

the government budget. Horse-trading between Cabi-

net ministers has been compli-

cated by the twin pressures of

public opinion, which strongly

favours greater emphasis on the environment, and the gov-

erning coalition's 1986 commit-

ment to reduce the budget defi-

ing both the environment plan

and the 1990 budget, some Fl

2.4bn will be saved in areas

other than environment, it is not yet clear how much of this

money will be diverted to eco-logical spending. The deal was

thrashed out between Mr Ruud Lubbers, the Prime Minister, and Mr Onno Ruding, his

Mr Ruding insisted that the budget deficit shrink, in line

hard-line Finance Minister.

Under a compromise cover-

of the 1990 budget.

**Dutch environment** 

Gaulle were cancelled, Mr Rocard would expect the Defence Ministry to consider a less expensive alternative, similar to the British through-deck

Strikingly, the one major weapons system for which the Prime Minister has not called for any major revision or cut is the Rafale advanced technology fighter, which is expected to cost around FFr120bn for 336 aircraft, and to come into service in 1996.

The cost of this project has been fiercely criticised on all sides; shortly after coming to power last year, Mr Rocard himself described the project as being "in a disastrous situa tion". Today, however, there appears to be a consensus that it is no longer possible to change either the scale of the project or the in-service date.

ected 5.8 per cent this year, and that the combined burden

of taxes and welfare premiums

drop, in line with the coali-

tion's governing accord.

He threatened to resign last
week in protest at what he

viewed as an appalling lack of budgetary discipline among Cabinet ministers. But his col-

leagues, including the Prime

Minister, argue that environ-

top of the list

# Soviet Party braced for poll post-mortem

HE ruling central committee of the Soviet faces one of its most storm; and potentially divisive plenary meetings since Mr Mik-hail Gorbachev came to power in 1985. It must decide how to react to last month's shock election results.

A substantial minority of the central committee members are regional and city party leaders who were decisively snubbed by Soviet electors in the Easter Sunday poll, many failing to get half the votes even when standing unop-

Today's extraordinary meeting - still not officially announced in the Soviet media but confirmed yesterday by Mr Gennady Gerasimov, the Foreign Ministry spokesman – gives Mr Gorbachev a chance to hammer home his message that the vote was a decisive endorsement of his perestroika reform programme and a condemnation of those party organisations which have failed to become more democratic.

changes in the membership of the ruling Politburo and limtied changes in its own mem-bership — possibly to replace some of the 70-odd "dead souls" who have lost their party or government jobs since the last central committee elections. They amount to more than one in five of the central committee's full members.

mental exigencies outweigh the governing accord, espe-cially in an election year. Gen-eral elections will be held in April or May 1990 and "green" issues are likely to rank at the Under the compromise package Mr Ruding won hard promises of more fiscal discipline, in exchange for his blessing for the 1990 budget.

The Fl 2.4bn in budget savings next year are likely to hit the education, housing and demonstration in Georgia, which left 20 dead in the capiperhaps defence ministries the hardest. The environment and transport ministries, meanwhile, say they want more money for subsidising energy conservation and public trans-

The 20-year environment plan seeks to rid this densely populated country's soil, water and air of harmful pollutants such as carbon dioxide and nitrous oxides. Annual costs

could soar as high as FI 16bm.
The new Dutch plan comes on top of considerable achievement in reducing the sulphur dioxide emission which cause acid rain. Farmers, whose intensive stock-breeding and use of fer-

tilisers has been identified as a major contributor to the acidification of soil and water, are the only big social group to have opposed a massive drive against pollution.

with long-agreed plans, to 4.6 per cent of Gross Domestic

since April 1986, at 6.6 per cent.

Italian payments balance in black was recorded, against a L3.33 However, the annual inflation rate, based on a survey of 7 major cities, is at its highest

plan near completion Product in 1990 from a proj-

The meeting can decide

However, there could also be a strong backlash from the middle-ranks of the ruling party leadership, exposed in the elections for the first time

to the danger of losing their seats, against what they see as an erosion of one-party rule and basic principles. They are also likely to use the latest tragic nationalist

tal Tbilisi, to argue for the pace of reform to be slowed. Rumours that the extraordinary meeting was summone at the demand of disgruntled conservatives were dismissed by political observers in Moscow yesterday, arguing that the elections have greatly reduced their influence in the party structure.

nprecedented criticism of the central party leadership and, by implication of Mr Gorbachev, has come from one of the most powerful figures defeated in the election, Mr Anatoly Gera-simov, leader of the Leningrad city Communist Party.

He blamed "hastily-made half-baked legal acts" - such as the anti-alcohol campaign and the creation of an agricultural "super-ministry" (now being disbanded) - for the unpopularity of the party at regional level.

But at the same time, his interview with the government newspaper Izvestia was defensive in tone, urging his party colleagues not to act too hast-ily on the basis of the election results. He also admitted that

Ouentin Peel on the prospects of a conservative backlash at today's central committee meeting

the vote was a clear repudia-tion of the "conservative wing" of the party and its failure to adjust to the surge in political consciousness among voters. "When over 30 socretaries of

regional [party] committees fall to get the support of the voters, then for whatever rea-son this must surely give any Communist grounds for serious contemplation." he said.
It would be unlike Mr Gorbachev to seek an instant purge of the party ranks as a result of the election, urging the grass roots party organisat to decide for themselves where

changes need to be made. A key indicator will be the position of Mr Yuri Solovev, the Leningrad regional party chief and the only candidate-member of the Polithuro to be defeated. The Soviet leader has shown no sign of seeking his resignation from the most powerful body in the land.

Another would be a major speech from Mr Boris Yeltsin. who humiliated the Moscow city party machine in winning almost 90 per cent of the votes there. He is certain to argue for more of a purge in the party

Reformers fear a move from the party conservatives to postpone next September's local elec-tions, on the grounds that the polls could produce a backlash against party nominees now Soviet electors know they can get away with it. Conservatives are also

looking for a flat rejection of any talk of multi-party democ-racy, which several victorious candidates, including Anatoly Gerasimov's opponent in Len-ingrad, openly supported. Another issue certain to be

raised is the sorry state of the Soviet economy, underlined again at the weekend by deenly worrying statistics for the first quarter of the year. Opponents of the reform process can argue that so far it is causing more confusion than growth.

Thus wages grew more than twice as fast as output (9.4 per cent against 4.5 per cent in the first three months), hard currency imports from the West were up, and exports down. Industrial production was up by 3.2 per cent, compared with 5.0 per cent in the same period

last year, although consumer goods output rose 5.8 per cent. Anatoly Gerasimov argued that the people were clearly dissatisfied with the results of four years of perestroika: "there are unfulfilled expecta-tions and a gap between the electrification of society which we created by making many promises of change, and what we have not yet achieved."



yesterday as several hundred demonstrators mass outside local mining headquarters in Houthalen, Belgium, Reuter reports from Brussels. Paramilitary police battled with the protesting miners, who are trying to stop planned pit closures. Police used tear gas to try to disperse the demonstrators at the Houthalen headquarters, about 45 miles east of Brussels where the protesters tried to erect barricades

across nearby roads. At one point a police officer fired a pistol several times in the air to free a colleague

cornered by protesters, a police spokesman said. He said six police were treated for inju-ries. It was not immediately clear how many miners had been hurt, whether there had been any arrests or if the police had succeeded in dispersing the miners. Belgian radio reported that police wielding batons charged the miners several times then used tear gas. Some demon-strators entered the headquarters building and hurled files out of the window. The miners, who were protesting against the planned clo-sure of mines in Beringen and Zolder in 1992, also blocked a motorway access road.

# THE TOP PERFORMANCE BY A MAJOR **BUILDING SOCIETY**

SOCIETY % RETURN (	ON CAPITAL
1 SKIPTON	24.18
2 C & G	23.67
3 ABBEY NATIONAL	22.12
4 HALIFAX	21.40
5 LEEDS & HOLBECK	21.20
6 LEEDS PERMANENT	20.74
7 ALLIANCE & LEICESTER	20.31
8 CHELSEA	20.26
9 TOWN & COUNTRY .	19.90
10 YORKSHIRE	19.68
11 NATIONAL & PROVINCIAL	19.24
12 BRADFORD & BINGLEY	19.19
13 COVENTRY	18.87
14 NORTHERN ROCK	18.50
15 BRITANNIA	17.60
16 BIRMINGHAM MIDSHIRES	16.00
17 WOOLWICH	15.51
18 BRISTOL & WEST	15.26
19 GUARDIAN	14.86
20 NATIONWIDE ANGLIA	12.29*

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.so	CIETY %	ASSET GROWTH
1	SKIPTON	25.19
2	C & G	23.40
3	CHELSEA	23.04
4	ALLIANCE & LEICESTER	22.90
5	HALIFAX	22.30
6	BIRMINGHAM MIDSHIRES	21.70
7	MOOFMICH	20.46
8	LEEDS & HOLBECK	20.40
9	ABBEY NATIONAL	· 19.41
10	LEEDS PERMANENT	18.14
11	GUARDIAN	17.39
12	BRISTOL & WEST	17.25
13	NORTHERN ROCK	16.90
14	COVENTRY	15.91
15	TOWN & COUNTRY	15.43
16	BRADFORD & BINGLEY	15.00
17	BRITANNIA	14.70
18	YORKSHIRE	13.54
19	NATIONWIDE ANGLIA	12.67
20	NATIONAL & PROVINCIAL	11.50

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building societies.

2	PRE-TAX PROFITS	MO.712 OT #8.88+	Œ
ᆲ	ASSETS	+26.19 TO \$125B.OM	=
_	MORTGAGE LENDING	+12.5% TO £319,0M	]=
-	FREE CAPITAL	44.9% OT #8.44+	2
<b>~</b>	MANAGEMENT EXPENSES	STESSA NASM COLS SETS	=
_		OCHT EN BIOG MEAN NOGE 13	1



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### ITALY'S overall balance of trillion deficit in February. payments swung back into sur-

plus in March for the first time since October, Bank of Italy figures show, agencies report. A surplus of L309bn (\$227m)

Bank of Greece warns on public sector deficit

THE Bank of Greece, the country's central bank, is expected to sound a warning on the country's rapidly rising public sector deficit in its annual report on the economy this week, Andriana Ierodiaccount reports from Athens.

Greece's net public sector borrowing requirement (PSBR) was reduced from 18 per cent of GDP to approximately 13.5 per cent between 1985 and 1987, as a result of a stringent stabi-lisation programme centring on a wage and salary freeze. This trend was reversed in 1988 however, and there are fears that the PSBR may have climbed back up to 20 per cent of GDP by the end of 1989, higher than when the austerity

measures were introduced.
With general elections due with general elections due next June, drastic cuts in pub-lic sector spending are unlikely despite the bank's warning. The general assumption is that the Drs 1.4 trillion (thou-sand billion) budget deficit (55 2bn) projected for 1989 (25.2bn) projected for 1989, itself a record, will be significantly overshot.

FINANCIAL TIMES

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### **EUROPEAN NEWS**

# De Benedetti and Canal Plus study pay TV for Italy

MR Carlo De Benedetti is to join forces with Canal Plus, the successful French pay televi-sion network, to study the pos-sibility of launching Italy's first new TV

first pay TV.

The accord between Mr De Benedetti and Mr Andre' Rous-selet, chairman of Canal Plus, was announced yesterday by CIR. Mr De Benedetti's main holding company. In a separate development CIR also said it would soon set up its first financial investment company in Greece: the De Benedetti group already has holding vehicles in France (Cerus) and Spain (Cofir).

An aide to Mr De Benedetti said yesterday: "We will exam-ine whether it is feasible to organise a pay-television sta-tion in Italy that would be modelled on Canal Plus." The French station is the

world's first over-the-air pay TV broadcaster, giving viewers special decoder boxes to receive transmissions. The normal method for pay TV else.

Rousselet decide to go ahead with an Italian pay TV venture it would probably be handled by Mondadori, the publishing group controlled by Mr De The idea of starting a pay TV

# Vranitzky warns on Austrian right-winger

By Judy Dempsey in Vienna

AUSTRIA'S Socialist-led coalition government would be rendered a disservice" if its junior partner, the conserva-tive People's Party (OeVP), helped to elect Mr Jörg Haider, leader of the far-right wing Freedom Party (FPOe), as pro-vincial governor of Carinthia, according to Mr Franz Vranitzky, the Socialist Chancellor.

In a wide-ranging interview with the FT, Mr Vranitzky described Mr Haider as a "populist" who over the past two years had introduced into Austrian politics "manners and tactics which mostly rely on populist and demagogic ele-

ments".
"If one of the federal government's own parties voted for the leader of the opposition, who incidentally, took away votes from the OeVP, it would be a bad service. The mutual confidence [between the coali-tion partners] would be served

If Mr De Benedetti and Mr

system in Italy has been grow-ing in popularity in recent weeks. Mr Silvio Berlusconi, the media magnate who con-trols 45 per cent of prime time viewing with his three commercial networks, has recently approached such figures as Mr De Benedetti, Mr Gianni Agnelli of the Fiat group and Mr Raul Gardini of the Ferruszi-Montedison agro-chemicals concern, in order to raise the prospect of a joint venture in

pay television. Flat said yesterday the group was not interested in a pay TV venture. Mr De Benedetti has clearly chosen to ally himself with Canal Plus. Mr Gardini could not be reached for comment yesterday.

if it [the OeVP] did not vote for Mr Haider," he added.

However, the Chancellor would not be drawn on the pos-sibility of an early election if Mr Haider was elected governor with OeVP support. The prospect of Mr Haider becoming governor of Carin-

this has opened up following recent provincial elections in which the FPOe made strong gains at the expense of the OeVP both in Carinthia – where the Socialist majority was broken for the first time since 1945 - and in Tirol and Salzburg. But last week saw a series of

manoeuvres on the part of the national leadership of the OeVP, combined with threats by the Socialists that they would pull out of the coalition: It now seems more likely that the OeVP in Carinthia might support the incumbent Socialist, Mr Peter Ambrozy.

### Ruling on Daimler tie with MBB explained

By Lesile Colitt in Berlin

THE West German Cartel Office disclosed yesterday that it ruled against the planned merger between Daimler-Benz and Messerschmitt-Bölkow-Blohm (MBB) because it would create or strengthen "market-dominating positions" in the arms, aerospace and truck

industries.

Daimler-Benz and MBB had said they would appeal to the Economics Ministry to over rule the Cartel Office's decision ast Friday. But the Minister, Mr Helmut Haussmann, came Mr Helmut Haussmann, came under growing pressure from his liberal Free Democrat Party (FDP) to uphold the ban.

Mr Stefan Held, a director of the Cartel Office in Berlin, said it regarded competition for

contracts in the early stage of weapons development and pro-curement as vital. The prime contractor decided the propor-tion of the work other companies would get, a decisive point for the Cartel Office. Mr Held said the dominant

market presence of the merged companies could not be matched by foreign companies, as weapons procurement was still largely nationally-oriented Although 70 per cent of West Germany's defence contracts were carried out in inter national co-operation, no for-eign company had a chance to compete for the German portion of a project. Nor would the situation change in the foreseeable future, even with a single

European market. Daimler-Benz and MBB had argued that the existence of international competition voided the cartel objections.

"Economic power can become political power," Mr Held remarked, even if Daim-ler-Benz, West Germany's larg-est company, said it did not intend to exert political influence. He said that with 60,000 of West Germany's 68,000 defence industry employees working for Daimler-Benz and MBB, politicians could be told that a contract was needed in order to maintain employment. The Bonn Government had

supported the Daimler-Benz merger with MBB, saying it would rationalise participation in the European Airbus project, in which MBB has a share of nearly 38 per cent.

### Prime Minister loses defamation case over secret service report

Another embarrassment has hit Turkish Prime Minister Turgut Ozal as former joint military chief of staff Gen-eral Necdet Urug has won a defamation case over a controversial secret service report last spring, Jim Bodgener writes

month where the increasingly opulent and Ottoman style of his regime,

together with high inflation, helped to turn the electorate against him. The report from the National Intelligence Organisation (MIT) referred to Gen Urug's behaviour while in com-mand of the Istanbul province followfrom Ankara.

This follows a local election last ing the 1980 military coup.

But Turkey's supreme administrative

court, the Council of State, decided yes-terday the report was defamatory and

invaded the general's privacy. Since MIT, though run by the military, is responsible to the premier, the court directed that damages of TL40m (£6,600) be paid by Mr Ozal's office.
"The office of the Prime Minister assaulted Urug's personality...by making public documents with unproven allegations," said Mr Serafet-tin Kaya, a Council of State member.

The report was issued against the background of a behind-the-scenes struggle between the civilian govern-ment and the military for pre-eminence in MIT, said to have been resolved in favour of the latter. In one analysis, it was intended to blight the general's chances of the presidency, in Mr Ozal's favour, when President Kenan Evren steps down in November.

# Ozal caught between inflation and wages

Union militancy further threatens Turkey's ruling party, writes Jim Bodgener

R TURGUT Ozal, Tur-key's Prime Minister, is girding his administration for an all-out battle with the high inflation primarily responsible for the crushing defeat of his ruling Motherland Party (ANAP) in local elections last month.

At the same time, he has had to make concessions to strident grass-roots militancy in public

sector trade unions.
Widespread "passive"
worker protests across the country, including mass medi-cal checkup walk-outs, have already given Mr Ozal a taste of the damage a wave of public sector strikes could inflict on the economy and its structural

adjustment programme.
The once moderate leadership of the main Turk-Is labour confederation has been unusually intransigent of late: its president, Mr Sevket Yilmaz, and his fellow-leaders, face reelection this year.

Bitter frustration among workers is exacerbating a militancy which has been latent on the shop-floor since the suppression of the left-wing DISK trade union after the 1980 military coup.

Although inflation has fallen back to 65.4 per cent at the end of March from a peak of 87 per cent in November, an underlying slump in demand as a result of austerity measures last year reflects the stretching of lower incomes to breaking point.

May Day is looming, with the prospect of a mass demon-stration in Istanbul's central Taksim square by independent unions and affiliates of Turk-Is
- although Turk-Is itself will only issue a statement of protest. Agonised memories remain of May Day 1978 when 44 died in the chaos after secu-rity forces fired on crowds at a DISK mass rally in the square. So far, the Government has

not officially budged from offers of around 120 per cent for the 500,000 state employees whose wage rises for 1989-90 are being negotiated.
But senior bureaucrats said

last week that the Government would compensate low income groups. Turk-Is officials say 220 per cent is needed to make good real lost income since The Government would aim

to squeeze the public sector for further savings to the lira equivalent of \$1bn with which to compensate low income groups, acting treasury head Mr Namik Kemal Kilic said in an interview.

At the same time, demand and production would be regenerated through a renewed programme of social housing construction and the encouragement by development bank discounts of export-oriented industry, he added. Officials say off-setting wage

increases against savings will allow the Government to keep to its planned 1989 budget tar-



Turkish student protesters hide their faces from the cameras

It could then concentrate on reversing an export slowdown resulting from the phasing out of export tax rebate incentives to satisfy Gatt.

The latter would be achieved by utilising part of Turkey's record \$1.5bn current account surplus last year to increase insurance and guarantee services to exporters offered by the new Export Import Bank of Turkey and by direct investment in export industry

through the Turkish Develop-

ment Bank, said Mr Kilic. The buoyancy of overseas sales in 1986 and 1987 was not expected this year, said Mr Ali Tigrel, head of the State Planning Organisation, although given the slightly unhealthy current account surplus, a fall off could be accommodated easily. Nevertheless, there would still be a comfortable surplus this year, he predicted. To finance the \$2bn budget

deficit planned this year and

cash payments to farmers later in the summer, the treasury would tap the markets through issues of treasury bonds and bills, rather than being a drain on the central bank, said Mr

Whether inflation falls or not will also govern when general elections are called. Despite his assertions to the contrary, it is generally agreed Mr Ozal must seek a fresh mandate to rehahilitate his administration's jaded image, either in the autumn before parliament selects a replacement in October for President Kenan Evren,

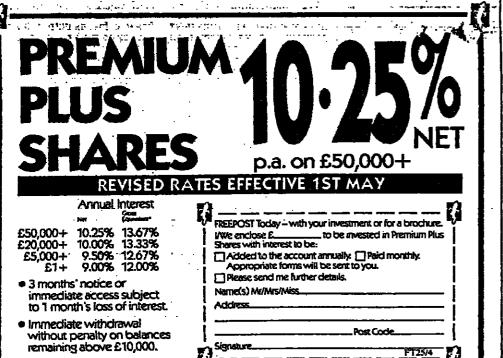
or early next summer.

Dashed for the present are the premier's own presidential ambitions, although if early general elections produced a sufficient mandate in September, he might be tempted to make a last-minute bid.

There is already a fierce struggle for the traditional leadership of the right between Mr Ozal and veteran former premier Mr Suleyman Demirel, leader of the third largest parliamentary grouping, the True

Path Party (TPP).

From his emotive calls for anti-ANAP rallies across the country, it is plain Mr Demirel knows he must quickly capitalise on the swing vote to the TPP in rural areas that relegated ANAP into a miserable third in the local election national voting averages. On the other hand, Mr Ozal needs time, but has little of it.



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### **OVERSEAS NEWS**

**UN** report

challenges

By Michael Holman

**World Bank** 

Africa study

A UNITED NATIONS report

yesterday challenged the find-ings of a a recent World Bank study which concluded that an

study which concluded that an economic recovery is underway in those African countries implementing structural adjustment programmes.

The UN Economic Commission for Africa accuses the Bank of making "selective" and "inconsistent" use of economic data, and of overlooking the adverse impact of

ing the adverse impact of adjustment policies on the

poor.
A World Bank paper published last March argued that

African countries could have

"adjustment with growth" if governments implement reforms and if donors provide additional resources.

The cautiously optimistic

picture painted was seen by some African governments as

an attempt to vindicate poli-

cies drawn up by the World Bank and the International

Monetary Fund, adopted with

varying degrees of enthusiasm by over half the 45 sub-Saha-

The Bank's findings were immediately disputed by the Addis Ababa-based Economic

ran African states.

# Takeshita aims to quell speculation on his future

MR Noboru Takeshita, Japan's beleaguered Prime Minister. yesterday battled to quell spec-ulation that he is about to

resign over his involvement in the Recruit financial scandal. He denied a Japanese news-paper report that he had asked Mr Masayoshi Ito, a senior member of the ruling Liberal Democratic Party, to succeed him in office. The report said 75-year-old Mr Ito refused the appeal on grounds of ill health. Mr Takeshita insisted he planned to go ahead with a nine-day visit to south-east Asia, due to start on Saturday. He dismissed reports that he might have to cancel the trip in order to deal with political

authority at a time when his own party is discussing his possible resignation increasingly openly.

Mr Michio Watanabe, chairman of the LDP's policy research committee, said yesterday that under the circum-

turmoil caused by the scandal. However, Mr Takeshita's

remarks did little to restore his

stances it was natural for party members to have various opinions on Mr Takeshita's future. However, Mr Watanabe added that the Prime Minister had important work to carry out - including securing the passage of a stalled budget bill, going on the south-east Asian visit, and attending the Paris summit of Western leaders in July. Analysts said Mr Watanabe's remarks implied that Mr Takeshita might quit after the

1.5 per cent in the first 10 days of April compared with the previous 10 days, but a Ministry of Finance official said the news did not warrant an immediate increase in the Bank of Japan's discount rate,

lan Rodger reports from Tokyo, Statistics for the first 10 days of a month seldom attrac-tion much attention in Japan, but the wholesale price index figure was the first indicator of the implementation of a 3 per cent value added tax on

Also, financial analysts in

Mr Takeshita's latest embarrassment stems from revela-tions over the weekend that he received a previously-undisclosed Y50m (£223,000) loan from Recruit, the business information company at the centre of the scandal. This money was not included in a statement of Y151m in contributions from Recruit which the prime Minister made to the Diet (parliament) only two weeks ago. Opposition leaders condemned Mr Takeshita for

misleading the Diet.
Even before news of the loan emerged, Mr Takeshita faced intense difficulties trying to get the 1989-90 budget through

Opposition parties have been boycotting debates in order to try to force the LDP to make

ingly nervous about the possi-bility of a discount rate rise in recent weeks, especially since the rise in official West German interest rates last week. The overall wholesale price

index reached 88.5, 2.5 per cent higher than a year ear-lier, but still well below the 1985 base of 100.

The ministry official said the government was not con-cerned about the 10 day fig-ures, but would be paying much greater attention to the

behaviour of the consumer price index for April. Mr Yasuhiro Nakasone, the former prime minister, give evidence before the Diet about his role in the Recruit affair.

The LDP has had to pass a

temporary budget for the financial year which began on It has repeatedly threatened to railroad the actual budget through the Diet, in defiance of the tradition that bills are sed by consensus. However, it has not carried out its threat for fear of alienating potential allies among the opposition

As a result the two sides remain deadlocked. The LDP has set various deadlines for the hudget bill's passage. The latest is this Friday, but it was being said yesterday that this might prove as flexible as previous ones.

Commission for Africa (ECA), which earlier this year declared that the continent's decline "continued unabated."
The 25 page ECA report published yesterday says that
"some central conclusions (of
the Bank study) can only be
arrived at if a high degree of
selectivity in handling data is
practived."

practiced." Reference periods "seem to have been chosen, at least in some cases, to fit pre-conceived conclusions," it adds.
The ECA is particularly critical of the finding that benefits of structural adjustment programmes (SAP) have been demonstrated: "Countries that are not adhering to IMF and World Bank supported SAPs are being penalised and starved of resource flows ... indeed, domestic reform efforts of many African countries have been thwarted

### Mayekiso acquitted of subversion

because of this very factor."

MR Moses Mayekiso, general secretary of South Africa's Black engineering workers' union (Numsa), yesterday left court a free man as he and four co-accused were aquitted of subversion and sedition

after a two-year trial.

The five, whose case has been championed by British, Scandinavian and other trade unions, were detained in 1986 under security laws and emergency regulations. They were originally also charged with treason for their part in set-ting up "alternative people's structures" in Johannesburg's Alexandra township.

Mr Chris Dhlamini, general secretary of the Cosata federa-tion said: "Cosata and the United Democratic Front were also on trial, and the court has ruled that our fight for free-

# Labour relations poser for Seoul

Strikes have highlighted a clash of attitudes, Maggie Ford writes

NDUSTRIAL relations in South Korea are nearing a turning point which could indicate whether the future is to be one of confrontation or peaceable negotiations.
As the country continues its

political transition from authoritarian rule to democracy, strikes and other labour disputes have highlighted both the intractable attitude of some older managers and the emotional intensity which confrontations can generate.

The difficulties facing man-

agements and workers in finding a way towards industrial peace are compounded by the tendencies of both right and left-wing forces to use disputes for their own political pur-

Hardliners in the Government, supported by some business leaders, have claimed that unions are being influenced by radical groups and have demanded a crackdown on such elements.

While police, accompanied by much media fanfare, have arrested several union members, including a few student advisers, much of the police intervention seems more apparent than real

A military-style dawn raid by 10.000 riot police at the ship-building subsidiary of the Hyundai business group recently found no workers at the yard and failed to end the strike which had continued for two months. After a stern warning from the Ministry of Industry, Mr Chung Ju Yung, chairman of Hyundai, despatched a team of top company managers to the yard to look into the workers' grievances.

The team is also studying the problems at Hyundai's other companies where pay negotiations begin next month. Company efforts to split union



Strikers protest at the police storming of the Hyundai shipyard

representation and to have union leaders arrested have created severe bad feeling in Ulsan, the Hyundai company

town.
It is not yet clear, however, whether the investigation sig-nals a change of attitude on the part of one of the most hardline managements or whether good relations can be restored in the long term. Pressure on the Government

for further crackdowns continued last week, with the arrest of a number of union leaders at an industrial complex of small companies near Seoul. A rumour, so far uncon-

firmed, that a general strike is to be held on May Day, has caused public concern. But large companies, union leaders and opposition politicians, deny that any strike plan Mr Kim Dae Jung, the main

opposition leader, appealed to union members and students to be careful not to lose the sympathy of the public or to "fall into a trap set by governThe heated atmosphere caused by the politicisation of the labour situation does not seem to have hindered negotia-

seem to have hindered negotiations seriously so far.

At the Samsung business
group, the biggest electronics
maker, where negotiations are
carried on through labour-management councils rather than
unions, a group-wide settlement was announced last
week. Workers are to receive
an average 17.5 per cent rise
with extra fringe benefits.

At the GoldStar group, South
Korea's second largest electronics and semiconductor producer, agreement has been

ducer, agreement has been reached on a 19.5 per cent rise at two subsidiaries. A further seven are on strike, but negoti-ations are continuing and a company spokesman said he expected a successful outcome shortly. In the motor industry, where

pay talks are under way or yet to start, production has suf-fered some fairly minor interruptions due to shortages of parts following strikes at some

Among foreign companies, about seven banks have settled without strikes at widely different pay levels ranging from under 20 per cent to 47 per cent. The banks were presented with claims designed to even out discrepancies in salaries across the sector.

Manufacturers with foreign

Manufacturers with foreign investors continue to present a mixed picture. At Motorcia, the

mixed picture: At Motorcia, the US semiconductor maker, where a violent dispute broke out late last year, an agreement to recognize the union has been signed, the first in the conspany's history.

A munher of other US companies, makers of the Tundy computer, appear to have decided to close down rather than negotiate with workers, transferring their production to Korcentrus companies.

esti-run companies.
This has generated emo-tional protests by workers, pritional protests by workets, pri-marily women and apparently uninvolved in industrial action, who have been deprived of their lobs and in some cases their severance pay. A company executive was held hostage at TC Electropica

The level of pay settlements so far suggests that rises of between 15 and 20 per cent are likely to be common, with agreements involving quite substantial wage restructuring to remove anomalies.

Companies have indicated that this can be absorbed since productivity remains high. They appear to be more con-cerned about loss of production

through stoppages.
As South Korea continues its difficult transition, political and management attitudes, rather than workers' greed or laziness, are likely to be the key to future success or failure of its industrial relations.

Power set

to resume

in Beirut

By Our Foreign Staff

### Consumers call boycott of Algerian food shops

A GROUP calling itself the "Angry Consumers Association" yesterday called for a national boycott of food shops in Algeria in an effort to drive down soaring prices, Reuter reports from Algiers. The official Algerian news

agency APS said the association, based in the western town of Oran, urged people to boy-cott red meat, fish and vegetables for four days starting on

Consumer groups have already staged shopping strikes in several towns, including Algiers, Oran and meat and vegetables doubled

or tripled in two weeks. The main labour federation, the Union General des Travailleurs Algeriens, said it would support the national food strike, APS reported.

Reports in the local media suggest protests against high prices are gathering momentum. A week ago 52 irate shop-pers were arrested after they wrecked a market at Aflou and

trampled on the food.

Last October Algeria was rocked by riots, sparked by economic hardships, high prices and shortages. Analysts say there could be a repetition unless discontent is rapidly

In an unusually frank diagnosis of Algeria's economic problems, APS said the weakness of the dinar was one of the main reasons for the wave of popular protests. The dinar is not at all well

It is sick, seriously sick," APS said. "This is obvious from the crazy surge in prices and exchange rates on the black market. The situation was aggravated by rising unemployment,

galloping population growth and the development of

# Amnesty hits at Peking for 'execution of 30,000'

China rejects attempt to

mount inquiry in Tibet

AMNESTY International says China has executed up to 30,000 people in a drive against crime in recent years, raising fears some defendants may not receive a fair trial, Reuter

reports.
"Many thousands of people have been executed in China over the past decade - unoffi-cial sources have put the number as high as 30,000 in the five years after a nationwide anticrime campaign began in 1983," the London-based human rights organisation says in a report released today. China's desire to impose punishment quickly meant the legal process had been speeded up to allow prisoners to be exe-cuted within a few days of

"There is a lack of safelawyers is limited and in practice few people are able to exer-cise effectively their right to

In a 268-page report calling in recent years, Amnesty said.

CHINA yesterday rejected the suggestion that an interna-

tional fact-finding mission

investigate the situation in Tibet, dismissing the proposal as "interference" in its internal

affairs, AP reports from

Peking. The Foreign Ministry said in .

a statement that China reso-

lutely opposed any attempt to send a "so-called inquiry mis-

sion" to the isolated southwes-tern Chinese region. Tibet's capital of Lhasa has

been under martial law since March 7 following clashes between police and pro-inde-

pendence rioters.

The Dalai Lama, the exiled

Tibetan spiritual leader, raised

the idea of a mission to Tibet

in a meeting in Paris last week with Danielle Mitterrand, wife

of French President François

on governments to abolish the death penalty, Amnesty attacked Japan and Indonesia for holding condemned prison-ers on death row for decades before executing or acquitting

Amnesty cited a Japanese prisoner, Sadamichi Hirasawa, sentenced to death in 1950, who died of old age in 1987 aged 95. "He had spent a large part of his existence not knowing whether he would be executed or whether his appeals for retrial would be granted."
In the early 1980s, three Jap-

anese prisoners were acquitted 30 years after being sentenced to death. The report cited political prisoners in Indonesia exe-

after 25 years under sentence of death.

cuted nearly 20 years after being arrested and two men

Use of the death penalty had increased sharply in Indonesia

"We cannot but express our

regret that a personage having

a high status from a country friendly to China has gone to

the length of receiving the

Dalai Lama and made remarks

which constitute an interference in China's internal

affairs," the ministry said.
Mrs Mitterrand met the

Dalai Lama in her capacity as

head of a French humanitarian

Lama's spiritual role in Tibetan Buddhism but stresses

that he should not be allowed

to carry out political activities concerning Tibet in other

countries. China has agreed to

hold talks with the Dalai Lama

about the future of the region,

but only if he gives up the con-

cept of Tibetan independence.

China recognises the Dalai

# By Anthony Robinson

The state charged that this challenge to white authority, part of the general insurrection which swept the black townships between 1984 and 1986, amounted to treason and

dom is legal".

Mr Bernie Fanaroff, national secretary of Numsa, added: "A guilty verdict would have opened the floodgates to more

# Israel woos Italy on Gaza poll

By Hugh Carnegy in Jerusalem

ISRAEL yesterday intensified its effort to win European sup-port for planned elections in the occupied West Bank and Gaza Strip by pressing Mr Cir-iaco De Mita, the visiting Ital-ian prime minister, for his rsement of the proposal. Mr De Mita, accompanied by Mr Giulio Andreotti, his foreign minister, indicated a guarded assent, telling reporters and prominent Palestinians that elections under the right conditions might move the

peace process forward In Washington earlier this month, Mr Yitzhak Shamir, the prime minister, outlined his plan to end the 16-month-old intifada (uprising) in the occupied territories. Accepted as a possible step

THE United Nations has

brought in a second aircraft to speed up the airlift of famine relief supplies to the rebel-held

town of Torit in southern

Sudan, a UN spokesman said yesterday, Reuter reports from

Mr Paul Mitchell said a

French Air Force C-160 Tran-sall plane joined the airlift on

Sunday from Entebbe airport

in Uganda to Torit, 100km (60 miles) north of the Ugandan

The airlift, the first major

UN relief operation inside rebel-held areas of southern

Sudan, began on Friday with a C-130 Hercules, which is flying 42 tonnes of food a day into Torit. Mr Mitchell, who had

just returned from Torit, cap-tured by the Sudan People's

Liberation Army (SPLA) two months ago, said about 30,000

frontier.

forward by the Bush adminis-tration, the proposal includes elections to choose Palestinlans to negotiate an interim, and ultimately final, settlement in the territories. As the first EC leader to talk to Mr Shamir since the plan

was published, Mr De Mita

found himself being pressed to urge the European Community to back the proposals and use its influence to get the Arab world to do likewise.

The Israelis hoped that sup-port from Italy, which has warm relations with the Pales-tital Levati A Organisation,

would have a strong influence on EC policy.
Palestinians have not ruled out elections, but want them under international supervi-

UN adds second plane to Sudan airlift

people had converged on the town in search of food.

distributed to villages within a 25km (15 mile) radius and the

movement of people into the town had stopped, he added. Mr Mitchell said the UN had

a second Transall standing by in Entebbe to start airlifting

food into rebel-held areas of

southern Sudan shortly. A UN spokesman in Kam-

pala said a UN convoy of 47 food trucks that left Kampala on Friday was still on its way

north. The convoy was due to

reach the Sudanese border town of Nimule in about two

days, Mr Egil Herdan, an offi-cial of the UN World Food Pro-

gramme, said. Mr Herdan said the convoy

would deposit part of its 1,000 tonne load of maize in Nimule

before attempting to deliver

the remainder to Torit.

But food was already being

sion, atter an Israeli commit-ment to withdraw its troops and as part of a defined process towards statehood. These conditions are flatly rejected by Mr Shamir.

Meanwhile, unrest in the territories was marked yesterday by clashes in the West Bank town of Hebron between local Palestinians and Jews visiting a nearby shrine.

A group of Jews attacked shops in the town after Pales

tinians stoned their buses. In the Gaza Strip, scene of incessant rioting in recent weeks, in which several Palestinians have been killed and dozens, including young children, wounded by security force gunfire, more than 15 people were reported wounded yesterday.

Nations launched a \$182m fam

ine relief operation to move

over 100,000 tonnes of food into

war-torn southern Sudan before the rainy season in May makes most roads and airstrips

But the operation has got off to a slow start and UN officials now say that most of the food

will have to be flown in over

The rains are expected to

make many airstrips in

southern Sudan too soft for

heavy aircraft to land safely, so

large quantities of food will

probably have to be dropped by

planes flying at low altitude.
The United Nations esti-

mates that 250,000 people

starved to death in southern

Sudan last year and a further 100,000 could die this year unless enough food reaches the area in time.

in the area unusable.

the next six months.

### A FRENCH oil tanker delivered fuel to the main power station supplying Belrut yesterday, enabling an evensupplies to the Lebanese capi-tal after a nine-day interrup-tion caused by recent heavy artillery duels across the sec-

The delivery of 4,000 tonnes of fuel oil to the Zouk power station in Lebanon's Christian Penhors marked progress in the French Government's efforts to provide humanitar-

ian assistance to Lebanon. It followed an earlier French delivery of 2,000 tonnes of fuel to a Moslem port 30 miles south of Beirut, and came against a background of diplo-matic manoeuvres ahead of tomorrow's meeting of Arab League foreign ministers on

the Lebanese crisis.

Beirut has been without electricity and water since the beginning of last week after one of the most intense bom-bardments Lebanon has seen

in its 14-year civil war. The French aid operation has hitherto been hampered by suggestions from Lebanon's Moslems and from their supporter Syria that France has shown bias in favour of the

Christian minority. However, to allow yester-day's delivery to take place without shelling from Syrian forces or their Moslem militia allies, France is said to have persuaded General Michel Aoun, the Christian army commander, to order a halt to ferry services between Cyprus and

East Beirut. "That's the deal worked out by France to strip the Syrian army and its Druze allies of any pretext for shelling the Christian enclave," said one official close to Gen

Aoun. The two ferries operating between the ports of Jounieh in Lebanon and Larnaca in Cyprus have been the only lifeline for the beleaguered Christian population.

### Egypt crackdown

Egyptian Interior Minister Zaki Badr was quoted yester-day as saying 1,500 alleged Moslem fundamentalists were arrested over the past two weeks, Reuter reports from Catro

Cairo.
"These extremist groups are fueling religious strife in the country and they must be met with force. We will meet vio-lence with violence," Mr Badr

was quoted as saying.
The sources said the arrests
were made under emergency
laws in force since 1981 which empower police to detain suspects indefinitely without any

formal charges.

The crackdown followed a clash after Friday prayers on April 7 between Moslem extremists and police in the casis town of Fayoum. Among these arrests are the blind on the case of the contract of the contrac those arrested was the blind theologian Sheikh Omar Abdel-Rahman, considered by the outlawed Islamic Jihad organisation as its spiritual

# Migrant issue strains Manila's uneasy peace with Malaysia Richard Gourlay, recently in Sabah, looks at the political impasse over the status of Filipino workers and refugees

JAMALUL ALAM is a Filipino singer who sneaked into the rich east Malaysian state of Sabah three years ago. He has no job but bought work papers for about \$280 and lives in a refugee camp. After years dur-ing which Malaysia tolerated Filipino migrants, Alam and thousands like him are feeling

thousands use nim are reening increasingly unwanted.
According to officials in Manila and refugees in Sabah, Malaysian authorities are stepping up deportations of Filipinos. The move is only partly explained by the 60 per cent increase last year in Indochinese boat people landing in peninsular Malaysia, an increase which triggered alarm

bells in Kuala Lumpur.
Relations between Malaysia and the Philippines are the most strained between any Association of South East Asian Nations (Asean) countries. They are already arguing over fishing rights and territo-rial claims to Sabah and the tiny Spratly Islands in the South China Sea. The migrant and refugee problem is an irri-tant over which Malaysia has direct control

For years Asia's equivalent of Mexican wetbacks, who swim the Rio Grande to work illegally in the US, have been the seafaring Moslems of the southern Philippines. They cross unpatrollable water bor-ders to work in timberyards and rubber estates in Sabah. Any number between 150,000

and 300,000 Filipinos are in Sabah at any one time, accordsaban at any one time, according to both capitals, but Malaysia recognises as "political refugees" only 70,000 who fled the brutal 1972-76 civil war with Christian dominated Manila. Taking the official figures, it means there are half as many Filipino refugees in Sabah as

Indochinese refugees through-out south east Asia and Hong Kong, and over five times more Filipino than Indochinese refugees in Malaysia.

The problem of the Filipino refugees in Sabah is now acute," says a Malaysian diplo-

mat versed in refugee issues.

With the 17-year long Mos-

lem insurgency running out of steam in the Philippines and

the refugees readily admitting they stay in Sabah because it is richer and more peaceful



Filipino workers have angered officials in Kuala Lumpur by crossing water borders to work in the timberyards and and rubber estates of the rich east Malayrian state of School east Malaysian state of Sabah

than home, the claim to refugee status has worn thin.
But however much Philippine officials accept they are economic "migrants" and no longer "refugees," they are angered by Malaysia's actions. "All we are asking for is some time to solve the problem by agreement," a Philippine For-eign Affairs official said. Instead, following the collapse



of a half-hearted amnesty programme last year, Malaysian police and immigration officials have stepped up their expulsions, he said. "We are being victimised."

Sabah authorities deny the claim, say a task force has been set up to study the problem and that the law is simply being applied. Philippine offi-cials can only estimate the

number of deportees at thousands because of the remote-ness of the islands where they

are dropped.

Last April, Malaysia arrested

near the Spratly 47 fishermen near the Spratly Islands. They were released four months later after President Corazon Aquino interceded with a call to Dr Mahatir, the Malaysian Prime Minister.

Malaysian police action against Filipinos in Sabah against rinplicos in Sagan increased not long afterwards, officials in Manila say. Rela-tions hit a low when a Philip-pine naval officer, possibly angling for an increased mili-tary budget, claimed Malaysian maps showed Kuala Lumpur had annexed the equally tiny Turtle Islands off the Sabah coast. By the time the officer realised the line on the map marked a shipping route, the Philippine Senate foreign relations committee chairman had called for a downgrading of

called for a downgrading of diplomatic relations. Kuala Lumpur was again understandably offended.

Then last month Mr Fidel Ramos, the Philippine Secretary of Defence, claimed obliquely that Malaysia's \$4bn arms order last year from the UK might mask aggressive intentions towards the Philippines. Malaysian officials strongly reject the insinuation saving the sum will be spent saying the sum will be spent over 10 years to modernise its

The greatest irritant however remains the Philippine

sovereignty claim over Sahah. The claim dates back to when the Sultunate of Sulu, now part of the Philippines, leased in perpetuity the north east tip of Borneo to a British company that received a charter from William Gladstone, the Liberal Prime Minister.

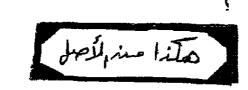
Mrs Aquino has said she wants to drop the claim and with it the hostilities that are with it the nostilities that are keeping the two countries apart, but ale has not pressed the Senate to pass the necessary legislation.

To Jamalul Alam in the refugee camp in Kinarut, the Spratitys and Turtles are just little islands and the Sabah claim is a bary piece of history.

a hazy piece of history. He admits Filipinos in Sabah

often steal, because they are poor and unemployed, but fails to understand how the rubber estates and timberyards would survive without cheap Filipino labour. Like the refugees he have with he is for you with lives with, he is fed up with being caught in a tug-of-war between distant politicians who will not resolve issues that have an immediate effect that have an immediate effect on his life.







### **AMERICAN NEWS**

# **Bush proclaims** good start on broad front

By Peter Riddell, US Editor, in Washington

yesterday claimed to have made "a good start" in his first three months in office, as he began a four-day tour across the US before the traditional landmark of the first 100 days in office, which will fall on Sat-

While deliberately avoiding any reference to 100 days. Mr Bush and his advisers are assiduously presenting a detailed defence of his record, in face of often sceptical and lukewarm press treatment of his performance.

Addressing newspaper publishers in Chicago, the president said that, after three months, he was "very pleased with the progress we've made in that short time."

Looking ahead, he referred "the completion of the defence and foreign policy reviews in late May, draft legis-lation for a new Clean Air Act, a new strategy to curb the increased use of lethal weapons by drug dealers and other criminals, and new initiatives to combat the problem of homelessness in America. He presented himself as "a

PRESIDENT George Bush practical man; I like what's real. I'm not much for the airy and abstract. I like what

> Looking over his first three months in office, Mr Bush mentioned the recent bipartisan budget agreement as "a strong first step towards deal-ing with the deficit problem," the accord reached with Con-gress on Central America, action to stabilise the troubled savings and loan system, and proposals for ethics reform in government service, and a renewed anti-drug effort.

> For the long term, Mr Bush said his administration had made proposals for education reform, for assisting child care through tax credits, and for the environment.

> The administration had set its course on strengthening the strategy on Third World debt. "Now I want to see success on a case-by-case basis. I want to see an agreement with Mexico, with Venezuela, and with other countries as well."

On foreign policy, the president said decisions on arms control would be "forthcoming soon." He noted that he had met the leaders of 34 countries.

### Peru raises fuel prices

By Veronica Baruffati in Lima

PETROL and gas prices in Peru were increased 15 per cent at the weekend, only 24 days after the last rise. The price of kerosene for kitchen fuel was increased by 5 per

These measures are expected to provoke another round of increases in fares and food

Since the beginning of the year, petrol prices have increased 137 per cent. It now costs the equivalent of almost \$1.5 a gallon.

Widespread popular indignation is being expressed as devaluations and price increases chase each other in an uncontrollable spiral. Mr Armando Villanueva del

Campo. Prime Minister and Interior Minister, said the fuel price increases "were to allow Petroperú (the state oil company) to restore its export capacity. This will benefit not only the country, but also the next administration."

He made these declarations after a 3%-hour cabinet meet-ing which discussed the questioning of the government in Congress last week after what was seen as a poor effort by Mr Villanueva in Congress to explain the government's plans to resuscitate the economy.

The IMF mission which has been visiting Central Bank and Ministry of the Economy officials returns to Washington

### GAO head attacks pact on budget as unreal

By Peter Riddell

THE BUDGET agreement reached 10 days ago between President George Bush and Congressional leaders is com-ing under increasing criticism for having included non-existent or purely temporary expenditure savings and for excluding major programmes.

Doubts have been expressed especially by Mr Charles Bowsher, Comptroller-General, who heads the General Accounting Office, the investigatory arm of Congress. He has argued: "The rosy projec-tions are not real numbers any more. The situation with the

deficit is much worse than is being portrayed."

Instead of a \$100bn budget deficit in fiscal 1990, which the agreement is intended to achieve, Mr Bowsher has said it would be far more accurate to expect a \$263bn deficit. The difference would mainly reflect the huge surpluses building up in social security and other trust funds. There has also been criticism of the exclusion from the the budget of the refinancing operation to rescue troubled savings and loans institutions.

Arguing for a fundamental reform of the budget process, Mr Bowsher has claimed that everyone knows the numbers are fudged, and that they never reflect reality, because revenue is exaggerated and spending is underestimated.

Even within current budgetary definitions, most independent analysts have criticised the budget agreement for failing to tackle the fundamental problem of the deficit and for relying on accounting gim-Among the main flaws seen

in the agreement are an \$850m advancement of farm spending from next year to this, assuming that \$500m worth of food stamps have been lost and will never be redeemed, saving \$2bn by moving the Post Office off the main budget, and producing \$500m from better enforcement of tax laws.

These doubts are unlikely to make much practical difference since Congressional leaders and the administration want to make the deal appear to work. The agreement has already been approved by the Senate Budget Committee.

# Mexican teachers' leader axed by Salinas

By Richard Johns in Mexico City

MR CARLOS JONGITUD resigned his position as head of the Mexican teachers' union on Sunday night, after a meeting with President Carlos Salinas de Gortari.

His surrender of power, however, is unlikely to bring an early end to the strike by dissident members of the National Union of Education Workers (SNTE).

The resignation is a recognition of Mr Jongitud's failure to win acceptance by a sizeable minority of the SNTE of a pay and benefits package awarded to the teachers by the Government this

month His removal and the holding of democratic elections for the top SNTE posi-tions was one demand of the union's rebellious faction, the National Co-Or-dinator of Education Workers (CNTE), led by Mr Teodoro Palomino. However, resignation by the "leader for life and

spiritual guide" of the SNTE, who then four days. The strike began on seized control of the union at gumpoint. April 17. in 1972, is unlikely to modify the ciaim of the dissidents for a 100 per cent ers earn only the equivalent of an aver-

increase in salaries:
Following Mr Josephud's resignation,
a spokesman for the CNTE said that the strikers would not obey an order by the Federal Arbitration and Conciliation

Board to return to work yesterday.

The dissidents would also go ahead with a plan to march throught the capital yesterday, he added. Mexico City bus drivers are supporting them with a

day-long stoppage.
As yet, the Government has not indicated what measures it will take if dissidents refuse to return to work, following the Education Ministry's failure last week to mediate between the SNTE and

By law, they can be sacked if they absent themselves from work for more

ers earn only the equivalent of an average \$150 a month. The Government is insistent that it cannot improve the

Mr Jongitud's resignation will not lessen the challenge to the Salinas administration's economic stabilisation

and anti-inflation policy.

It was widely assumed that Mr Salinas would want to get rid of the teachers' leader as soon as the new adminisers' leader as soon as the new amaning-tration began last December. Mr Jongitud has been accused by his oppo-nents of corruption, selling union jobs and mobster tactics, including arrang-ing the killing of those who deflect him. Moreover, in the presidential election,

which Mr Salinas won only by an imprecedent narrow margin (according

is a sension for San Lois Polosi, failed to deliver the millions of volus prois-ised by him for candidates of the miles Institutional Revolutionary Party (PRI) institutional Revolutionary Party (PRI)
Mr Salinas's reluctance to marveagainst him was based on the calculation that the teachars could beet be
kept in line by a traditional charitain.
The extent of the stoppage semains a
matter of dispute between the rebels
and the authorities. Even so, it is clear
that the strongest CNTE support is in
Mexico City, where an estimated socious
people were reported Personal to be
without leachers, and the states of Carace and Chiapes.
The SNTE, with more there in Mentbers, is the largest region in LadinAmerica, and very much part of Ric
corporate sinte constituted by the PRI.
Its members includes two sensions. It
federal deputies, it state assembly
members and some 350 mayors.

stick to

austerity'

By Canute James

erson and bembings.

in Kingston

Guyana will

THE Guyana government says it will not abandon a programme of economic austrily.

introduced three weeks age, despite a wave of strikes in key sectors, and isolated cases of

President Desmond Hoyte

ore bus sodirts set tact betate

tests were weakening the economy, but that the country needed the economic pro-

gramme and a stand-by credit

agreement it is hoping to sign with the International Mone-

The economic measures

included a 70 per cent currency devaluation, which was fol-lowed by price increases of as such as 300 per cant.

tary Fund in a few weeks.

# Canada poised to tackle federal deficit

By David Owen in Toronto

ON THURSDAY afternoon in Ottawa, Mr Michael Wilson, Canadian Finance Minister. will deliver his fifth budget address.
It will be his most closely

scrutinised package to date. High interest rates, political expediency and slower economic growth have contrived to convince Mr Brian Mulroney's re-elected government that now is the time to do something about Canada's federal budget deficit.

By the end of the 1988-89 fiscal year - if the government has not exceeded its projected budget deficit of C\$28.9bn (£14.12bn) - Ottawa's accumulated debt will have swollen to C\$321.1bm, or more than half of GDP. This represents a doubling in the space of five years (see table). At the end of fiscal 1981, accumulated debt totalled

The real position may be worse. The Finance Department has proved drastically over-optimistic in its year-ago projections of short-term interest rates. The rate paid on 90-

THE ARGENTINE currency yesterday continued its recent slide against the dollar, reach-

ing 87 australs to \$1 in some

day Treesury bills at the end of last week was 12.36 per cent. This compares with a Department forecast for 1989 of 7.8 per

Ça	nada's	budget
Year	Deficit (CSbn)	Accumulated Debt (C\$bn)
1981-2	14.9	100.6
1982-3	27.8	128.4
1983-4	32.4	160.8
1984-5	38.3	199.1
1985-6	34.4	233.5
1986-7	30.6	264.1
1987-8	28.1	292.2
1988-9p	28.9	321.1

Interest rates being higher than expected increase the cost of servicing Ottawa's accumulated debt, which was forecast to amount to C\$32.1bn in 1988-89. If revenues fall to rise to a similar degree, the actual deficit will exceed original pro-

Even if the C\$28.9bn 1988-89 target is hit, Mr Wilson will be unable to boast that his gov-

fierce when markets opened, as dealers sought an escape from

imminent hyper-inflation by

buying dollars. At the Friday

close, the austral had broken

Austral slides further as inflation fear rises

ernment has succeeded in reduce the deficit "in each and every year." Growth being faster than anticipated growth and tax revenues higher than anticipated helped to produce a 1987-88 deficit of C\$28.1bn -

C\$1.2bn below expectations. Indeed, rapid growth in per-sonal tax takings have proved a great boon to Mr Mulroney's government since it was first elected in 1984. The government expects to collect more than C\$45bn in income taxes from individuals in the year ended March 31, compared with C\$29.3bm from that source in 1984-85. In the light of such figure

the need to make meaningful inroads in the deficit in this first budget of the Conservative government's second term is generally recognised. Large question marks remain, however, over the specific measures that Mr Wilson will

choose to adopt.

The spending cuts will be broadly based. Few departments - with the possible exception of Environment -

team adjusted exchange rates

on April 14 so as to calm cur-

rency speculation and lift the

austral Mr Juan Carlos Pugliese, Economy Minister, then

announced a single free rate

for the currency, with a "refer-

can expect to escape the knife altogether. Tax increases will form part of the overall package, although the government's consciousness of the need not to undermine Canada's international competitiveness may reduce his room for manoeuvre, particularly in the

corporate sector. In terms of cuts, among the areas which appear most vul-nerable are federal transfer payments to the provinces. mployment insurance contributions, and foreign aid and defence spending.
All 10 provinces receive

transfer payments for financing key programmes such as bealth, education and welfare. The seven poorest also receive equalisation grants. Such payments amounted to C\$32.5bn. or some 25 per cent of overall federal spending, in fiscal

Cuts in the C\$11.1bn defence budget are also anticipated. This could jeopardise Canada's pian to buy a Cathn fleet of nuclear-propelled submarines from Britain or France.

ence" rate (then fixed at 3631).

used as a duty on all exports. Exporters should receive that

rate for all foreign currency

earnings, via the central bank.

But many earnings elude it.

The reference rate is being

The bauxite mining and sugar industries, piliars of the troubled economy, have been hit by strikes, which are costing the economy about \$1m per day, according to officials.

The government said cans fields had been burnt by arson-ists. The police report two bomb explosions in a week.

There is no indication of an early end to the opposition to the government's measures. Independent trade unions said the strikes will continue until "dialogue is established" with the government.

### exchange houses, Gary Mead writes from Buenos Aires. all records by reaching 72\$1.

**WORLD TRADE NEWS** 

# HK venture to market Abacus booking system

By Michael Marray in Hong Kong

HONG KONG'S Cathay Pacific Airways and Cable and Wireless (HK) are to form a joint venture company marketing the Abacus computerised reservation system in the territory.

The move is intended to lead to the eventual replacement of the separate Cutas and Tarex Plus systems currently oper-

ated by the two partners.
Abacus is being developed specially for the Asian market, vith the active participation of Cathay, Taiwan's China Air-lines, Malaysian Airlines, Philippine Airlines and Singapore

By Leslie Colitt in Berlin

HUNGARIANS who want to

get round the long waiting list for a Soviet-built Lada can now

buy the car without delay

Györ has begun importing

Ladas from West Germany and Austria and selling them for

hard currency to eager Hun-garian buyers. The arrange-ment solves Comecon's most

pressing problem, the unwill-ingness of members to sell

desirable goods to each other because of the lack of a con-

vertible currency.

The new Lada Samara and

Lada 1300 cars are being sup-plied by ATM Export-Import in

West Germany and Karl Grois in Austria. The Samara costs

plus 10 per cent customs duty, compared with a price of DM11,700 in West Germany.

NISSAN Motor will import

NISSAN Motor will import semiconductors valued at about Y100m (£440,000) from Intel Corporation of the US in the fiscal year which began this month, Nissan said yesterday, AP-DJ reports from Tokyo.

Although the size of the purchase remains modest, the imports follow increasing

demands by Washington that

Japan increase its imports of

foreign semiconductors to

A Hungarian company in

Airlines. It will be introduced recently signed a memoranin phases from the middle of this year.

Abacus will be linked to Pars, the US-based system owned by Northwest Airlines and Trans World Airlines, and to the European Amadeus sys-

The three will between them create the world's largest computerised reservation system, combining bookings for airlines, hotels and car In addition, Japan's All Nip-

pon Airways and Abacus

The Hungarian importer,

however, was unable to buy

the cars directly from the

Soviet Union for hard currency

as this was not provided for under Soviet trade regulations. More than 50 per cent of the

cars Hungarians bought pri-vately in the West this year

were Ladas and Czechoslovak-

made Skodas. They were cho-sen over Western cars solely

because of their low price and cost of repair in Hungary. Cus-toms duties were lowered on privately-imported cars this

year to ease pressure on the waiting list for cars which rose

something of a coup last month by arranging to import

Nissan to import Y100m of Intel chips

avoid being named as an

unfair trader under the strengthened US trade law. The US semiconductor industry has been especially critical of the Japanese car

industry, which has lagged behind Japan's electronics

industries in increasing its for-

eign chip sourcing. While the top five electron-

ics manufacturers buy about

18 per cent of their semicon-

ductors from foreign compa-

Hungarians turn to West to

beat waiting list for Ladas

dum of understanding to carry out a feasibility study on deliv-ering the system to the Japa-

nese market. The Hong Kong joint ven-ture marketing company involving Cathay and Cable and Wireless will start operations by Angust 1. A similar marketing com-

pany was launched last month in Singapore and others will soon be set up in other coun-tries within Asia, starting with Malaysia, the Philippines and

15,000 East German Wartburg

cars with new Volkswager

Polo engines produced under licence. The old engines power-

ing the Wartburg and Trabant cars use a petrol-oil mixture and are a prime source of pol-

lution in Eastern Europe. Few East Germans, however,

are able to buy a Wartburg car

with the new engine even after waiting an average of 12 years. The VW-engined Wartburgs

may have been obtained by

supply car components and assemble Daewoo cars.

nies, car manufacturers buy less than 2 per cent from abroad, according to the Japan office of the US Semiconductor Industry Association.

The Intel EPROM chips will be used to control ignition

timing, petrol injection and

other aspects of electronic engine control, according to

Nissan began importing 16-

bit chips for its Leopard model

from Intel last year.

### **Brazil** and China to sell satellite services

By Ivo Dawnay in Rio de Janeiro

BRAZIL and China are set to expand their co-operation in satellite ventures with a new joint project aimed at selling

technology and services to Third World customers. Last July during a state visit to Peking, President José Sar-ney signed a \$150m (£87.7m) deal under which the two countries would build up to five low-orbit remote sensoring units, using Chinese Long March 2 launchers and Brazil-

in ground stations.

It has now emerged in Brazil that the project is to be expanded into a commercial collaboration between Avibras, a São Paulo private sector arms and rechnology company, and Great Wall Industry Corporation, controlled by the Chinese Aviation Ministry.

After lengthy secret talks, the two companies have agreed to set up a London-based traditional control of the companies have agreed to set up a London-based traditional control of the companies have agreed to set up a London-based traditional control of the companies have agreed to set up a London-based traditional control of the contro

ing company, International Satellite Communication (Intscom), to offer space equipment to other developing countries. The project, still at the seed capital phase, was planned to be announced at the Paris air fair in June, but has been leaked in the Brazilian press.
While remaining strictly civil in objectives, the scheme

aims to extend co-operation beyond the meteorological and photographic satellites planned in last year's deal to communications applications.
China has successfully put

China has successfully put into orbit several satellites for its own use using the Long March series of rocket-launchers. However, it has failed to break into foreign sales.

Avibras has grown rapidly with sales of its military Astros-2 saturation non-guided ground-to-ground rockets. Iraqi orders during the Gulf War orders during the Gulf War brought it sales of \$322m in 1987 out of a total of \$800m for the Astros system. But since the end of the war, the com-pany's fortunes have alumped as Iraq has delayed

payments.
An independent analyst said the proposals would offer Brazil a useful transfer of skills and a means of shelving its own \$100m satellite pro-gramme which has been delayed by technical and fund-

# India gears itself up to step into the export shoes of the Asian tigers

R.C. Murthy looks at the long-term strategy of the EximBank

NDIA'S Export-Import
Bank is helping prepare
the country to step into the manufacturing export shoes of the newly-industria-lised countries by the turn of the newly to the bank's strategy is a programme of upgrading the technology of existing industry. Seven product categories - castings, diesel engines, bicycle and automotive components, machine tools, nuts and bolts,

pumps and hand tools – have been singled out for attention. The Eximbank has committed Rs10bn (£385m) in its seven-year existence to production and marketing to promote exports of some Rs40bn. A \$10m World Bank line of credit handled by the bank is expected to generate Rs8bn worth of business in the

next five years.

The Eximbank is optimistic about a breakthrough in exports of manufactures to the European Community and North America in the next few years. India's trade gap with the EC alone accounts for more than half its \$6.41bn overall trade deficit in the year to March 1988. The deficit widened further to \$7.4bn last

Optimism at the Eximbank contrasts with the gloom five years ago that greeted a study at the instance of the World Bank which found none of the country's engineering products could be exported. The sea-change in the

country to export more, a more conducive international environment, and policy measures that have had

external value of the rupes

Imports Exports Gap 1980-1 15.66 8.32 -7.54 1981-2 15.48 8.68 -6.82 1982-3 15.42 9.45 -5.97 1983-4 15.11 9.83 -5.28 1984-5 15.71 10.06 -5.65 1985-6 17.29 9.46 1986-7 17.74 10.42 1987-6 19.39 12.96 -6.41 1988-91 16.97 11.96 -4.99

domestic market.

far-reaching impact.

A responsive exchange rate was introduced that kept the INDIA'S TRADE (\$bn)

Statistical period is from April-March †April-February (11 months) Source: Government of India

low, neutralising domestic inflation. And the rupee was devalued by 12 per cent against the US dollar last year.

Profits made from exports are now tax rebatable, thereby making production for export more attractive than for the Further, there has been a sharp increase in trade in manufactures triggered partly by investment-led growth in

the industrialised countries.

As a result, the share of tures in India's total exports has jumped to 70 per cent from 60 per cent five years ago. Mr Kalyan Banerji, Eximbank chairman, says this

the next five years.
But there is still a long haul before India breaks even in

and invisibles and is expected

chart out a framework for many countries find Indian action on industrial exports. products cheaper than Mr Banerji says by the year elsewhere and of acceptable Mr Banerii says by the year 2001 India, along with China, will enter the market vacated by South Korea and Taiwan, which are graduating to high value added items. At the same time, the

industrialised countries are moving out of low-technology areas, such as components manufacture, machine building and steel-based industries, offering opportunities for India Moreover, the Exmilank has

devised a three-prong strategy strategy to boost exports to developing countries, which in the long run are expected to be the main customers for Indian capital goods.

First, an attempt will be made to promote exports through "trade diversion" - sourcing Indian imports from a country that wants to have Indian products but is unable to buy. This is designed

outlook at the Eximbank share will rise to 85 per cent in to generate purchasing power follows pressure on the the next five years. exports.
Second, India plans to offer

external trade.

Meanwhile, India's debt Latin American countries, service burden has risen steadily to around 24 per cent currency for trade. In May, for of exports of both merchandise example, the Eximbank and the Mexican Government are to peak in the next two years as repayments on a \$3.5 in loan \$20 in recurrocal credit line to to the international Monetary facilitate bilateral trade.

New Delhi has for the first London forfaiting market to time set up a working group to boost exports to Africa, where

technology but are unable to buy at present. The Eximbank hopes this year to promote \$50m in exports using this instrument and double that in

two years.

By the turn of the century, had a's manufacturing experts are expected to increase to sign a year from the present. \$10pm However, Mr Banerii warna

that the next two years are trucial for Indian exporters.
The foreign exchange crunch should not halt the liberalisation process and the country should not revert to a protective trade environment, he says. Already, the exporter is at a

disadvantage with several regulations. including restrictions on foreign travel. These regulations will have to be eased if he is to compete effectively overseas.

### providing more Hungarian cur-rency to East Germany so that its citizens may take holidays in Hungary which is the most popular holiday destination. Hungary has long sought to to more than 300,000. Four times as many cars Copyright holders name 12 pirate nations were bought in the West in the first two months of the year compared with 1988. The Hungarians scored assemble Western cars and last year it signed a letter of intent with Daewoo of South Korea under which Hungary would

AMERICAN copyright holders have asked Mrs Caria Hills, the have asked Mrs Carla Hills, the US Trade Representative, to target 12 nations as major pirates of films, music, books and computer software if the 12 do not move promptly to end the practice, Reuter reports from Washington.

They said piracy by the 12 was costing US industry \$1.3bm (£760m) in annual sales and that another \$95m was lost

that another \$95m was lost because their markets were closed to legitimate US products.

A recording industry official said much of the piracy was government-condoned.
The International Intellec-

tual Property Alliance cited these countries and the value of losses: China, \$418m; Saudi Arabia, \$189m; South Korea, \$165m; India, \$158m; the Philippines, \$117m; Taiwan, \$90m; indonesia, \$30m; Brazil, \$68m; Egypt, \$65m; Thailand, \$61m; Nigeria, \$39m; and Malaysia,

Mrs Hills has until May 30 to list countries that consistently practise unfair trade and is then to open talks with them to end the practices, under a threat of trade retaliation.

Mr Eric Smith, the Property Alliance's general counsel, said

the offending nations except Nigeria, which recently passed a copyright law.
Other governments also

have copyright protection laws, trade sources say, but have not enforced them.

Indonesia recently passed a copyright law but textbook and software piracy remained serious problems.

ous problems.

Mr Jay Berman, president of
the Recording Industry Association of America, said that "in
most cases, they [pirating
actions] go on with the government condoning it".

Mr Smith said if the 12 did talks were being held with all

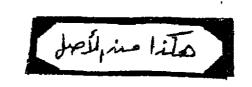
not take positive steps to end the piracy by next month the

Property Alliance wanted Mrs Hills to target them for the spe-cial trade treatment, He said the Property Alli-ance published a similar list of 10 nations four years ago but since then one country, Singa-

pore, has been removed and three added — China, Saudi Arabia and India. Mr Smith said Singapore's moves to end piracy was a major achievement but "we must finish the task in the Pacific rim". Mr Smith added: "We must

now turn to the task of the Middle East, chiefly Saudi Arabia and the Gulf Co-opera-





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### LEGAL COLUMN

# Buyer claims on mortgage survey

SMITH v ERIC S BUSH; HARRIS AND ANOTHER v WYRE FOREST DISTRICT COUNCIL AND ANOTHER House of Lords (Lord Keith of Kinkel, Lord Brandon of Oak-brook, Lord Templeman, Lord Criffiths and Lord Jauncey of Tullichettle); April 20 1989

A SURVEYOR who values a house for mortgage purposes knowing the buyers have paid for the valuation and will probably rely on his report, owes a duty to the huyers as well as to the mortgagee to exercise reasonable skill and care in inspecting the prop-erty; and in such circumes notice of disciaimer of liability for negligence is unreasonable and ineffective to protect the surveyor, in that he must have realised the buyers would put their trust in his

expertise.

The House of Lords so held when dismissing an appeal by Eric S Bush, surveyors, from a court of Appeal decision that they were liable to the respon-dent mortgagor, Mrs A P Smith in respect of a negligent house survey carried out by them on the instructions of mortgagee building society; and when allowing an appeal by mortgagors, Mr and Mrs A P Harris, from a decision that they were not entitled to damages as against the mortgagee local authority, in respect of a negligent house survey carried out by its employee. Section 2 of the Unfair Contract Terms Act 1977 provides: "(1)A person cannot by reference to any contract term or to a notice ... (2) ... exclude ... liability for negligence except in so far as the term or notice satisfies the requirement of reasonableness."

LORD TEMPLEMAN said that in Harris v Wyre Forest Mr and Mrs Harris signed a council mortgage application form con-taining a declaration that "we understand that ... no responsibility is implied for

the valuation report.
The council instructed its own employee to carry out the valuation. It offered to advance £8.505 to Mr and Mrs Harris. They assumed from the offer that the surveyor had not found serious defects. They therefore accepted the offer and bought the house for £9,000. Three years later they found that the house was defective. The damages suffered were agreed at £12,000. The trial judge held that the

surveyor did not exercise reasonable skill and care and that the council, as his employer, was vicariously liable. He ordered the council to pay \$12,000. The Court of Appeal allowed the council's appeal on the ground that, by the notice in the application form signed by Mr and Mrs Harris, the council had avoided incurring liability. Mr and Mrs Harris now appealed.

now appealed.

In Smith v Bush Mrs Smith applied for a building society mortgage. She paid the society an inspection fee of £36.89 and signed an application form declaring that "I understand that neither the society nor the surveyor... will give any surveyor . . will give any assurance to me that the . . . report and mortgage val-

uation will be accurate."
The society instructed Eric S Bush to carry out the valua-tion. Their report stated "No essential repairs are required." A copy of the report was sup-plied to Mrs Smith. In reliance on the report she accepted £3,500 from the society, and bought the house for £18,000.

Eighteen months later the chimneys collapsed and fell through the roof. Two chimney breasts had been removed. The surveyor had observed their removal, but had not checked to see that the chimneys above

were adequately supported.

The trial judge held that the surveyor had not exercised rea-sonable skill and care and that his firm was liable to Mrs Smith for £4,379 damages. He ignored the notice disclaiming liability in the application form. The Court of Appeal held that the disclaimer was not fair and reasonable and was ineffective under the Unfair Con-tract Terms Act 1977. They affirmed the damages. The firm now appealed.

The first question was whether the valuers were liable to the purchasers in negli-gence. The common law imposed on a person who contracted to carry out an opera-tion an obligation to exercise reasonable skill and care.

It also imposed an obligation to exercise reasonable skill and care where there was no con-tract. Where the relationship between the operator and a person who suffered damage was sufficiently proximate and where the operator should have foreseen that his careless-ness might cause the damage, he was liable in negligence.

The 1977 Act prohibited the exclusion or restriction of liability for negligence resulting

in loss or damage, unless the term or notice of exclusion sat-isfied "the requirement of rea-sonableness." The two appeals were based on allegations of negligence in circumstances which were akin to contract. Mr and Mrs Harris paid £22 to the council for a valuation. Mr and Mrs Harris paid £22 to the council for a valuation. The council employed and therefore paid the valuer for whose services it was vicari-ously liable. Mrs Smith paid £39.89 to the building society for a report and valuation, for which the society paid the sur-veyors. In each case the valuer knew or ought to have known veyors. In each case the valuer, there or ought to have known that the purchaser would only contract to purchase the house if the valuation was satisfactory, and might suffer damage if he did not exercise reasonable skill and care.

In the absence of disclaimer of liability, the valuer who valued a house for mortgage purposes knowing that the mortgagee would rely and the mortgage would rely and the mortgage would rely and the mortgage. on the valuation, and knowing that the mortgager had in effect paid for the valuation. was under a duty to exercise reasonable skill and care.

That duty was owed to the parties to the mortgage for which the valuation was made. The second question was whether the disclaimers of liability were notices falling within the ambit of the 1977 Act. The Court of Appeal held that the Act did not apply to "negligent misstatements where a disclaimer had pre-vented a duty of care from coming into existence." That confused the valuer's report with the work which he

carried out to make his report. He owed a duty to exercise reasonable skill and care in his inspection and valuation. If he had been careful in his work, he would not have made a "negligent misstatement" in

The discisimers of liability constituted notices which fell within the 1977 Act and must satisfy the requirement of rea-sonableness. The third question was whether it was fair and reasonable for the valuers and reasonable for the valuers to rely on the notices. A valuer was a professional offering his services for reward. He was paid for those services. He knew that 90 per cent of purchasers relied on a mortgage valuation, and did not commission their own aurors.

sion their own survey.

A purchaser would know that mortgagees such as build-ing societies and the council were trustworthy, and that they appointed careful and competent valuers. He would trust the professional an appointed. The valuer knew full well that failure on his part to exercise reasonable skill and care might be disastrous to the purchaser.

Ir was unfair and unreasonable for a valuer to rely on an exclusion clause directed against a purchaser in the circumstances of the present appeals. It was open to Parishment to provide that members of professions providing serment to provide that members of professions providing services for reward should be entitled to exclude or limit their liability for failure to exercise reasonable skill and care.

Without such provision valuers were not entitled to rely on a general exclusion of the common law duty of care owed to house purchasers to exercise reasonable skill and

The public were exhorted to purchase their homes and could not find houses to rent. A typical London suburban house, constructed in the 1930's for less than £1,000, was now bought for more than £150,000 with money borrowed largely at high interest rates.

It was thus not fair and rea-sonable for building societies and valuers to agree to impose on purchasers the risk of loss arising as a result of the valuer's incompetence or care-

His Lordship agreed with Lord Griffiths's warning that different considerations might apply where homes were not concerned. The appeal was allowed in Harris. In Smith the

LORD GRIFFITHS concurring. reserved his position in respect of valuation of quite different types of property for mostgage purposes, such as industrial property, large blocks of flats

or very expensive houses.

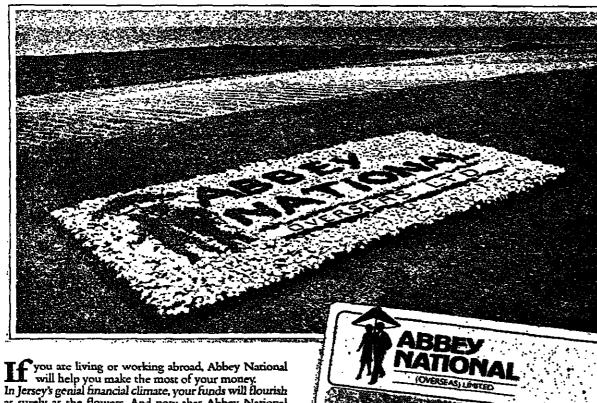
Lord Jauncey gave a concurring judgment Lord Keith and
Lord Brandon agreed with all three judgments.
For Mrs Smith: Robert Sea-brook QC and Phillip Havers (Hood Vores & Allwood).

For the surveyors: Nigel Haque QC and Jane Davies (Barlow Lyde & Gilbert).
For Mr and Mrs Harris:
Anthony Colman QC and Malcolm Stitcher (Thursfield
Adams & Westens)
For the council: Piers Ashnorth
OC and Micholas Worsley

QC and Nicholas Worsley (Laurence Grahaus).

Rachel Davies

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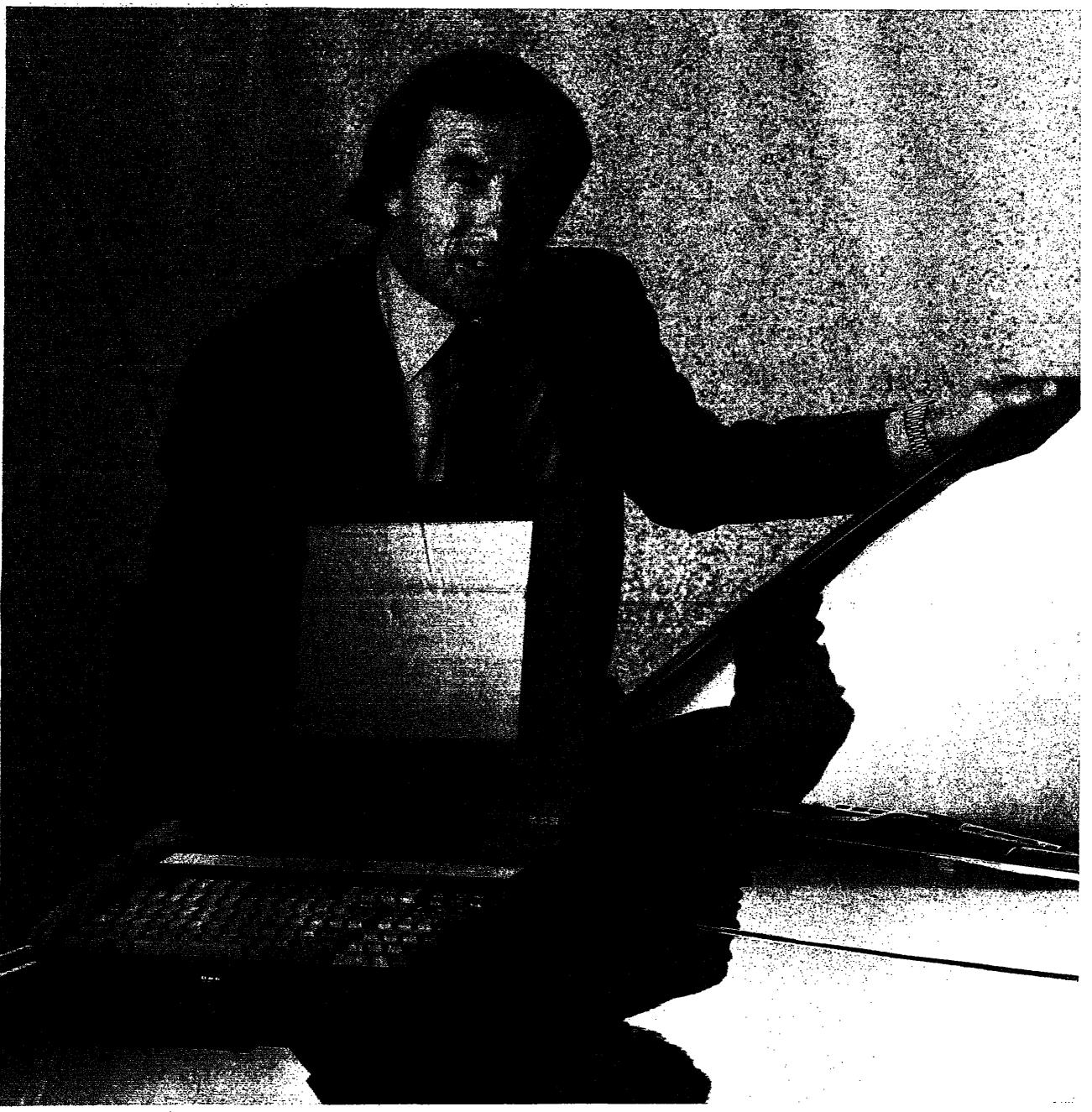
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# MPs voice doubt London set on Lawson view of trade trends

By Ralph Atkins, Economics Staff

MR NIGEL LAWSON, the Chancellor of the Exchequer, is relying on an "ambitious rever-sal" of import and export trends just to hold the UK trade deficit stable in 1989, an all-party House of Commons Committee warned yesterday.

There is a strong chance that

export growth might fall this year as a result of a slowdown in world trade and lost competitiveness, the report published by the Treasury and Civil Service Select Committee cau-tions. Treasury expectations of an acceleration "appear opti-

The report is sceptical of Government arguments that a slowing in domestic demand, and strong investment, will release capacity for boosting exports. It considers it "very difficult" to square Treasury projections for the current account with its forecasts for

growth.
In his March Budget, Mr Lawson forecast a current account deficit of £14.5bn in 1989, compared with an actual £14.7bn last year. Figures released last month, however, showed the deficit running at an annual rate of about £20bn in the first two months of the

The report says the increase in domestic demand expected by the Treasury in 1989 is still high by historic standards. "It is not clear that a 2.5 per cent growth rate this year will leave much capacity available for

### to lose 01 telephone dial code

By Hugo Dixon

LONDON's premier 01 dialling code will be replaced next year, British Telecom plans to exports even if resources can

on May 6 1990, the 01 code will be replaced by two new codes: 071 for central London – roughly the area within a four mile radius of the Charter Cross but also including export production within a short time-scale." The report, which was widely expected to criticise tax cuts in the 1988 budget, acknowledges that unsustainaacknowledges that unsustainably high growth in domestic demand was already developing beforehand. It says the primary reason lay in the conduct of monetary policy.

However, it says: "The combination of intense competition ing Cross, but also including the Docklands; and 081 for outer London.

The capital will thus be put

on a similar footing with the UK's other major cities, such as Birmingham and Edinburgh which have the three-digit codes 021 and 031 respectively. in retail credit and the expecta tions generated by the announcement of tax cuts seems likely to have added to the growth of credit and had a The change has been forced powerful effect on demand

by a shortage of available tele-phone numbers in London resulting from a growing demand for telephone lines and new services.

A similar shortage is develthrough its effect on consumers' confidence." The report, which was oping throughout the UK, though it is not so acute out-side London. A complete restructuring of the nation's agreed unanimously by mem-bers of the committee, repeats a warning issued after Novem ber's autumn statement on the Government's spending plans that Mr Lawson is walking a numbering system, which will probably involve adding one digit to every number, is being planned for the mid-1990s.

tightrope.
The rise in base interest rates might have a sudden By splitting London into two impact on demand, leading to recession. But if the effects zones, the supply of numbers will automatically double as the same number could be used in both central and outer take too long to materialise, a loss of confidence and fall in sterling could lead to a resur-

However, this will also mean that people will have to remember which part of Lon-

don they are calling.

People will have to use the codes if they are calling from outside London or from one London zone to another. How-ever, calls within the same zone will not require a code. A list of which numbers fall

into which zone will be published in the telephone directories. Customers will also be able to phone a special hel-pline if they have problems with the new system. Foreign telecom operators are being informed of the change so that calls from abroad will be correctly routed.

Immediately after the change, anybody calling 01 by mistake will be diverted to a recorded message telling them the code has been changed. In the longer run, they will hear a long tone, informing them the number is unobtainable.

# Soviet managers satisfy curiosity of Britain

MR KIRILL SMIRNOV, director of Leningrad's Astron Centre of Scientific and Technical are part of a group of 20 senior Research, has come to the UK because he believes that

Britain has a lot to offer the curious Soviet manager.

"This country has been through the experience of changing its industrial structure," he says.

Mr Grigory Lubar, director of the Moscow Experimental of the Moscow Experimental Plant of Soft Drinks, came

because he was invited.

Soviet managers and govern-ment advisers who yesterday began a three-week course at the London Business School. The visit is something of a

coup for LBS.

The school says that this is the first programme of its kind for senior Soviet managers to be held in any business school in the Western world.

The Soviet managers' will

The Soviet managers' will attend seminars run by the Soviet managers have so attend seminars run by the much to learn that it doesn't LBS faculty. Most of their time, however, will be spent visiting

some of Britain's biggest and most successful companies suchas ICI, Rank Xerox, Brit-ish Steel and J. Sainsbury, the

grocety retailer.

Although Sainsbury's appears to have become a firm appears to nave become a firm favourite of the serious Soviet visitor, it was British Steel which had fired the imagina-tion of group at LBS.

Once a struggling state con-cern, it is now a respected pri-vate one. The Soviet managers

want to hear how it was done.
The Moscow Experimental
Plant of Soft Drinks has also
escaped clutches of the state.

The company now leases its plant from the government and distributes its profits to the employees. Why the plant is experimental is not entirely clear. Mr Lubar says that it already makes 40 sorts of soft drinks; all from natural ingredients. One, called kuass. is made from black bread.

Industrial relations is another tonic on the Soriet

another topic on the Soviet managers' agenda. They will visit the Amalgamated Englneering Union and will talk to iCl's personnel manager about how to negotiate new working practices.

That is an area in which Mr Smirnov of the Astron research Smirnov of the Astron research centre seems to need little help. Astron does contract research for scientific institutes and companies. His researchers all have other jobs and work for him on the weekends and in the evenings.

Each group of researchers gets a fixed amount for each contract, providing every incentive to keep the groups small and finish work as soon as possible. "That's why I have no trade union problems," be

# Lawyers for ex-Guinness chief give warning over trial costs

By David Churchill

LEGAL representing Mr Ernest Saun-ders, the former chairman and chief executive of Guinness, the international drinks group, has given a warning that it may be unable to represent him further unless adequate

legal aid is forthcoming.

The move follows negotiations between Landau and Landau dau, the legal firm representing Mr Saunders, and the legal aid authorities over the size of aid Mr Saunders can expect.

Mr Saunders is facing the possibility of two trials in con-nection with criminal offences arising out of the Guinness takeover of Distillers in 1986. In the High Court in London to legal aid for his defence against 46 criminal charges

relating to the Guinness affair.

By Guy de Jonquières, International Business Editor

It is understood that Mr Saunders' legal aid has effec-tively been limited to £400,000 although it is expected that his defence costs will come to more than £1m.

In a letter to Mr Saunders, published at the weekend, Mr Norman Turner of Landau and Landau warns that the firm may have to withdraw if a firm commitment on legal aid is not

forthcoming.
"I have no intention on com-promising on the quality of the defence work you need, and therefore my partners and I have reluctantly been forced to the conclusion that unless there is a change in the imme-diate future in the attitude of the legal aid authorities regarding adequate funding we will regrettably be unable to

However, Landau and Landau will continue to act for Mr Saunders until at least after this Thursday's arraignment hearing at which the plea and other issues will be heard.

Mr Turner in his letter also strongly criticises the Serious Fraud Office which is responsible for bringing the prosecu-tion. "You are aware that in the Serious Fraud Office you are dealing with a newly formed prosecution organisa-tion that has a seemingly limitless budget and needs to prove itself; indeed you might say it is a prosecutor in search of a

The trial involving Mr Saunders and six other defendants is not expected to start until

### Record £15m sought for former Sopwith estate Financial Times Reporter

COMPTON MANOR Estate, near Stockbridge, Hampshire, in southern England, the home for more than 40 years of Sir Thomas Sopwith, the pioneer aviator, industrialist and yachtsman came on the market yesterday at a price in the region of £15m.

It is record asking-figure for a British country estate and the agents handling the sale say they expect to make a record sale price.

The 2,175 acre estate, in the Test Valley, includes a Georgian mansion, four farm-houses, a lodge and 25 cot-

Sir Thomas, who died in January aged 101, bought the estate for £130,000 in 1945. That price included nearly 700 more acres than the property now

has. The house, which has six reception rooms and 10 princi-pal bedrooms, dates from 1810, and was at one time owned by the Hennessey family of Cognac. The agents estimate that it needs £500,000 to £1m

spent on it.

Much of the value of the estate itself lies in the quality of the pheasant shooting and the extent of the six miles of fishing on the River Test, Britain's premier trout water. Substantial interest in the property has has already been shown from Britain and abroad, the agents say.

### House price falls reported

By Andrew Taylor, Construction Correspondent

many parts of England and Wales in the first quarter as higher home loan interest rates have deterred buyers, says a national survey of estate

The Royal Institution of Chartered Surveyors last month asked 155 estate agents about price trends since the start of the year. More than a fifth said prices had fallen. Less than half said prices were

The survey showed house sales and prices in some parts of northern England, which

Almost a third of estate agents questioned by the institution in south east England said prices had fallen. Two thirds said prices had remained static Less than I per cent said prices had risen.

Falling sales and house prices, have hit estate agents hard, particularly in the south. Nationwide Anglia one of Britain's largest estate agents said in January it would be closing 50 of its 510 branches. while Bairstow Eves in London previously have remained said in November it w buoyant, are also coming shed 100 out of 1,200 jobs.

# **Hereford Cathedral to** form Mappa Mundi plc

A MEDIA conference to launch one of the most unusual companies ever. Mappa Mundi plc, will be held at the offices of Lowe Bell Financial, in the City of London financial district on Wednesday April 26. Mappa Mundi is offering the public 7,450 shares at £1,000

each to raise more than £7m. The funds will be used for repairs and maintenance to the Hereford Cathedral where the Mappa Mundi, a thirteenth century map of the known world has hung for more than 600 years. Last year the Cathedral

Uncertainly exists about the extent to which policy is bit-

ing, the report notes, adding

"Timing (not least in the provi-sion of statistics on the 'slow-down') is crucial."

facsimile of the map, signed by the Bishop and the Dean and numbered. The certificate is expected to become valuable in

sparked controversy by announcing that it would have to sell the map to pay for upkeep and repairs.
Shareholders will receive a

SIR John Hoskyns, scourge of the Brussels bureaucracy, yes-terday took issue with the abrupt rejection by Mr Nigel Lawson, the Chancellor of the Exchequer, of the Delors committee report on Economic and

Monetary Union.
Naming neither Mr Lawson nor the Government, he told a conference of the European Movement in London: "Instant dismissal of ideas - however wrong-headed those ideas may

appear - makes careful thinking by those you seek to per-suade less likely."

Lawson rebuffed on EC money union

Sir John, outgoing director general of the Institute of Directors, suggested that scep-tics should instead ask hard, practical questions about what the proposals entailed. He made clear, however, that

any differences he had with the government on Emu were on tactics, not substance, and that his well-advertised doubts

sion and Mr Jacques Delors, its president, remained.
"I think that Mr Delors, frankly, is suffering from the political equivalent of merger

about the European Commis-

mania. At first reading, his proposals seems to provide a classic example of the Commission's mechanistic tendency to confuse economic cause and consequence, which I think lies at the root of so much of its muddled thinking."

# SIEMENS

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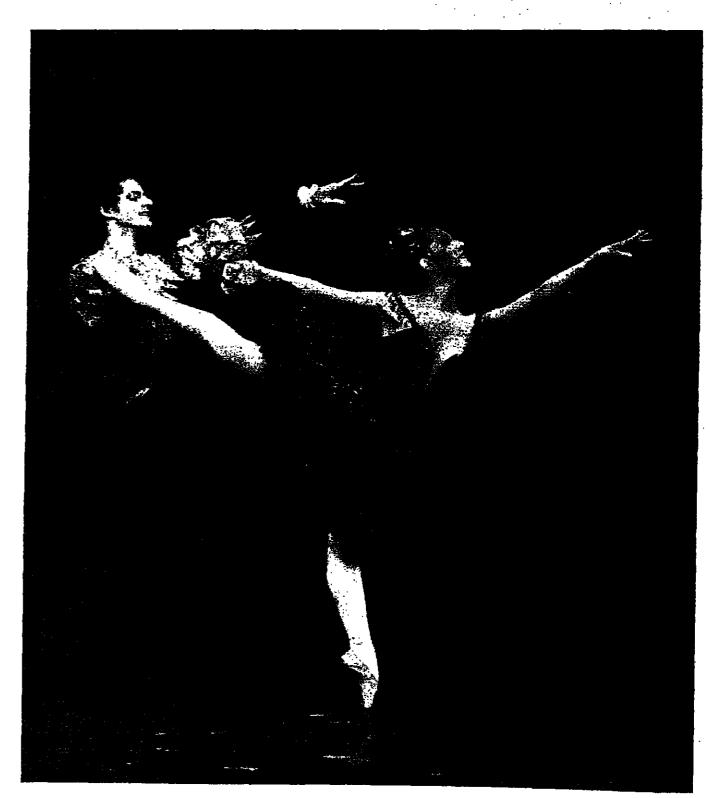
So whenever modifications are needed, they can be

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reducing the likelihood of mistakes and saving time and money.

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ance was smoothing their path every inch of the way. For further information, please telephone 0932 785691.



Innovation · Technology · Quality : Siemens

# Union votes to end merger talks with electricians

By Michael Smith, Labour Staff

PLANS to create a politically moderate super union of skilled workers were dealt a skined workers were cean a possibly fatal blow yesterday when the AEU engineering union voted to halt merger talks with the EETPU electri-

The surprise decision by the AEU's national committee, which decides union policy, are likely to end EETPU hopes of securing an early return to the Trades Union Congress, the union confederation, after its expulsion last September.
It will also disappoint manufacturing employers who

favour union mergers as a way of simplifying collective bar-

gaining.
Mr Eric Hammond, general secretary of the EETPU, last night urged engineering union leaders ballot all members on the merger. Such a move is allowed under AEU rules, but would infuriate large sections of the 121-member national

Mr Bill Jordan, the AEU president and a strong advo-cate for the merger, said yes-terday that the national com-mittee had made an unequivocal statement and that the executive had a long-standing respect for its decisions. The question of a vote would be discussed at next Tuesday's executive meet-

ing.
The crucial motion carried at yesterday's conference laid down that merger talks should be beld only with TUC-affiliated unions and that they should be pursued on the basis of "keeping our unions' demo-cratic structure."

Executive members, including Mr Jordan and Mr Gavin Laird, general secretary, had backed an amendment removing the TUC affiliation clause and deleting specified instances of the "democratic structure," including continued election, rather than appointment, of full-time officials. The amendment fell by 61 votes to 58.

cameras yesterday. One was inside Television Centre, film-

ing curtailed editions of the BBC News. The other was tak-ing pictures of a picket line outside the BBC headquarters.

Mr Witchell came outside to explain to his BBC colleagues standing in the London drizzle why he was not observing their 24-hour strike for higher pay. "The overriding principle is that the BBC news must continue "be eaid."

His faith in the ideal of public service broadcasting is one which most of the technicians

and journalists on the picket line share. But unlike him, their faith has been under-

mined by other events this

One of the most irritating of

these has been improvements to the pay and conditions of

BBC managers reaching up to Mr Michael Checkland, direc-

tor-general and Mr John Birt, his deputy who came from the

independent London Weekend

Mr Checkland's determina-

tion to improve BBC manage-ment has led him not only to

accept a pay rise of £20,000 last

year, but to introduce what is known as the "professional package" for senior managers,

thrue," he said.

Television.

61 votes to 58.

The detailment of the AEU-EETPU merger talks follows two years of talks. An end to negotiations would be the latest in a series of failed attempts in recent

years by the engineers to join with other unions. Part of the reason is that the AEU union believes it has the most democratic procedures among UK unions and does not want them jeopardised. While AEU officials are elected by the membership, for instance, those of other unions, includ-ing the EETPU, are appointed.

Although the electricians had agreed that the merged unions' conference should have power to make policy, AEU national committee members yesterday were concerned that a report drawn up by union officials said that future rules should be "determined" by conference policies rather than decided by it.

Worries were also expressed about the future role of the AEU's district committees, which Mr Ron Yarwood, a dele gate from Northwich, who helped lead opposition to the executive-backed motion, said would be reduced to toothless advisory bodies after a merger.

# Kleinwort cuts jobs in restructuring

By Clive Wolmen

Harte

KLEINWORT BENSON, one of the City of London's leading investment banks, yesterday made redundant 33 people as part of a restructuring of its gilt-edged and debt operations and the closure of its North

American equities operation.
The bank's gilt-edged and
Eurobond operations, like those of most securities firms, have been suffering heavy losses for the last two years as petition and diminishing volume of trading.

The two divisions are now

being slimmed down, the devel-opment and trading of deriva-tive debt products is being rationalised and the settlements and systems staff are being integrated with those of the bank's equities divisions. Of 160 staff employed in the debt divisions, 25 have been made redundant of whom 20 are based in London. The redundancies cover mar-

ket-makers, salesmen, analysts, back office staff and two directors of subsidiaries. Kleinwort Benson is continu-

ing its market-making and trading of American Depositary Receipts, an instrument for packaging foreign shares to make them suitable for trading will also continue to trade stocks in other overseas markets, in particular in the Far

However, it is pulling out of the sales and trading of US and Canadian common stocks. This has meant the redundancy of eight people, seven in London and one in New York.

### **Top Plessey** man joins Westland

By Hugo Dixon

MR ALAN JONES, the managing director of Plessey's UK defence businesses, has been appointed chief executive of Westland, the UK helicopter

The UK electronics company, which is struggling to maintain its independence in the face of a hostile bid from General Electric Company of the UK and Siemens of West Germany, said Mr Jones' had made a "straightforward and sensible career move."

Plessey denied that Mr Plessey departure was a blow, and that it would be cynical to suggest that his departure cast any doubts on the company's chances of defeating a take-

ever.

Even so, the job switch comes at a critical time for Plessey. Only last Friday, the Monopolies and Mergers Commission gave GEC and Siemens conditional clearance to relaunch their bid.

Under GEC and Siemens' plans, Piessey's defence businesses — which have a UK turnover of £500m a year — would be carved up between them. This would have left Mr. Jones without a job.

Jones without a job.

Mr Jones said he would have
been just as been on the job at
Westland if he had been
offered it 18 months ago.

He explained the speed of his departure – he will start his new job next Tuesday – by saying it is "never good someone hanging around."

Discour has not yet decided

Piessey has not yet decided on a replacement for Mr Jones. There was "no dramatic rhere was no dramatic urgency to take care of the position," it said. Mr Jones, 49, had in the past been rumoured as a possible candidate to take over as chief

executive of Plessey when Sir John Clark retired. However, carlier this month, Mr Stephen Walls, Plessey's managing director, was promised that

# Universities face funding

By David Thomas, **Education Correspondent** 

reforms

THE Government will today unveil changes in university funding designed to increase the incentives for institutions to recruit students by raising the amount of income deriving from course fees.

Differential fees for science and arts subjects are likely to be proposed for the first time in recent years in a bid to bring them more into line with

The basic tuition fee paid out of public funds is now set at a notional £607 a year for every student. Education Ministers will announce a substantial rise in this figure while cuiting the central grants made to universities to cover the rest of

their costs.
Ministers see the propos to be unveiled in a consultative document, as a key step in their programme of encourag-ing universities and polytechnics to take more account of market pressures when recruit-ing students.

Ing students.

Universities are likely to react cautiously, mainly because even the new fees will be set substantially below course costs. For instance, costs at Liverpool University last year were about £3,700 for every substantials. arts subjects, £4,850 for science subjects and £9,000 for clinical medicine.

While the new fees may encourage universities to recruit extra students tocourses with low marginal costs, the consensus in univer-

costs, the consensus in univer-sities seems to be that they will not lead immediately to dramatic changes in recruit-ment patierns.

This is likely to disappoint the growing body of opinion among employers that univer-sities should try to recruit more students from non-tradi-tional backgrounds to counter tional backgrounds to counter the sharp drop in numbers of young people expected in the

# Resentment on the line at the BBC

John Gapper on the mood among pickets during the 24-hour strike

### HE dapper figure of newsreader Mr Nicholas Witchell appeared in front of two sets of television Board to impose 7% pay rise

THE BBC said yesterday that it intended to impose a 7 per cent pay rise for its 23,500 staff without further talks despite a 24-hour strike which considerably disrupted programmes, writes John

Gapper.

The two main BBC staff unions estimated that about 18,000 staff had joined the strike across the country. In London, BBC news programmes were badly hit by walkouts at London broad-

The National Union of Journalists said that a further 24-hour strike might be held if the BBC did not respond to the action. However, Mr Michael Checkland, BBC director-general, intends to pay the 7 per cent increase into staff salaries on May 1.

The BBC paid rises of 4.5 per cent for the last two years.

including company cars and

On the picket line this induced two forms of resentment. The first was simply that they were being offered much smaller pay rises. The second was that Mr Checkland had invoked the private sector in justifying managers' rises. "They cannot have it both ways," said Mr Ian Anderson, 30, a producer on the Six O'Clock News, "They are trying to have a free market phi-

public service philosophy for the rest of us." Private sector comparability has become an even more touchy issue for BBC employ-ees than other public sector

losophy for senior staff, and a

workers. Although pay has always lingered behind inde-pendent television, the gap has widened in the past five years. The Government's attempt

to squeeze value for money out of the corporation by indexing the licence fee has limited the BBC's options in trying to cor-rect this. All television owners are obliged to pay the licence fee, which is the BBC's pre-dominant means of support. It has committed itself to reducing staff costs by 1 per cent a year up to 1993.

Beyond this, doubts about the future of broadcasting has damaged the BBC's traditional appeal as a safe employer which can afford to pay less than the more freewheeling

and insecure FIV companies.
The upshot is that BBC journalists and technicians have made a stand against this year's 7 per cent pay offer this year, arguing that they will leave and the BBC will be unable to recruit replacements if pay falls further behind.
"The BBC used to be like the

Civil Service. People would take lower pay to come here because of the security," said Mr Phil Keish, a senior record-

ing engineer.

At the lower end of pay scales, damage to the BBC as an institution was less the core reason for a protest over pay than the high cost of living in London, worsened by inflation and mortgage rate rises.

Mr Stephen Ebanks, 27, a scenery operative, said he needed to work overtime to hear high two hedroom house in

keep his two-bedroom house in Northolt, Middlesex. "Without it, I would lose my house. Even before the interest rate rise, I

before the interest rate rise, I was only just surviving."

Mr Witchell was unwilling to discuss his earnings. But even he acknowledged that pay was becoming a problem for most of his colleagues. "It is a big problem for the BBC and for problem for the BBC and for any line accretice broadcasting." public service broadcasting, how it carries on effectively when it does not have the resources to reward its staff properly," he said, before returning inside.

# **South Africa orders** official inquiry on Blowpipe affair

By Anthony Robinson and Richard Donkin

MR PIK BOTHA, the South Foreign Minister, last night sought to distance the South African Government from the latest bungled attempt to acquire British missile technol-

ogy.

Pretoria, which appears to be deeply concerned at the political damage this latest undercover operation could do to its relations with the British Government, has opened an official inquiry.

A statement from Mr Botha defended the right of Armscor, the state-controlled arms cor-poration, "to consider offers of weapon technology." But he added that such attempts occurred without the knowledge of the Government if they exceeded South Africa's reasonable requirements.'

The statement appeared to confirm implicitly that the South African diplomat detained in Paris last week while trying to aquire paris of a ton-screet Plannian missilar. a top-secret Blowpipe missile from three members of the UDA, the Ulster paramilitary organisation, was working for Armscor. It was accompanied by an "assurance" that the South African Government "is not supplying arms to any ter-rorist organisation."

According to reports in the French press the three UDA men were seeking South Afri-can small arms and ammunition in return for the stolen missile parts. Sir Geoffrey Howe, the Brit-

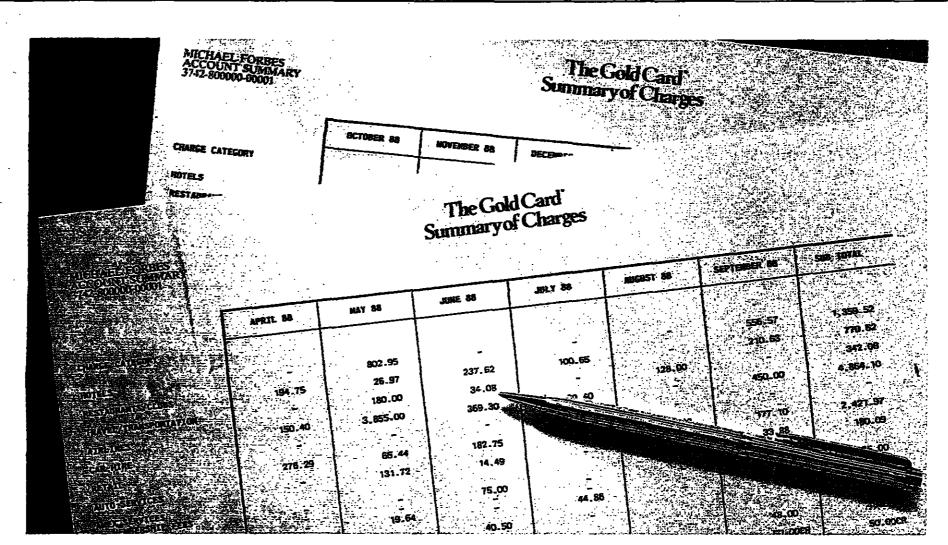
ish Foreign Secretary, told the House of Commons yesterday that the Government was seri ously concerned about the implications of the allair. He was responding to an

emergency question tabled by Mr Gerald Kaufman, Labour's foreign affairs spokesman. Sir Geoffrey said that Mr Rae Kil-len, the South African ambassador in London, had been summoned to the Foreign Office yesterday morning.

Mr Kaufman alleged a conspiracy in which South Africa

had supplied so-called loyalists with lethal weapons for use in terrorist actions in Ulster in the quest for access to informa-tion, models and replicas of British missiles.

"Is it not a fact weapons supplied by South Africa as part of this bloodstained deal have already been responsible for the deaths of innocent people in Northern Ireland?" he asked, claiming also that South Africa-supplied grenades had been thrown at Ulster police.

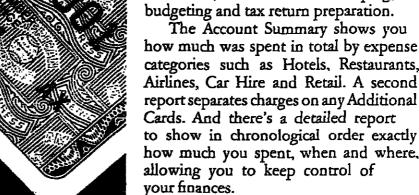


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### TECHNOLOGY

### New nozzle for the non-CFC aeroso

By Paul Godden

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WITHIN days of an announcement that aerosols with chlorofluorocarbons (CFCs) would be outlawed in Switzerland from 1992, Paul Comment, a Swiss inventor, unveiled a diffuser nozzle that allows aerosols to be used with environmentally clean propel-

lent gases.

The first product – a cooling water spray driven by nitrogen is now on the market. Comment points out that

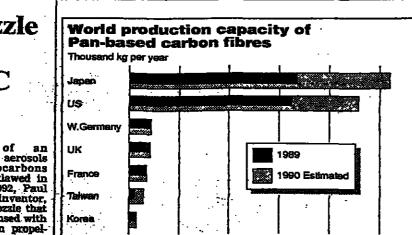
were it not for the damage to the ozone layer attributed to CFCs, they would have remained one of the wonder products of the 20th century. This is because they easily combine, under pressure with combine, under pressure, with the molecules of the product to be sprayed. Contact with the air causes a micro-explosion releasing both the propellent gas and the product.

CFCs protect the product against oxidation and need only a simple diffuser nozzle. The disadvantages, apart from the environmental one, are the cost and the risk of the container exploding when exposed to heat, for example in a car parked in sunshine.

The solution, according to Comment, is to use nitrogen, which is virtually free, harmless and offers protection against oxidation.

But, until recently, the problem was the diffuser nozzle. After putting in 11 years and SFr 5m (£1.8m), Comment has cracked this by using a springloaded regulator/diffuser, which he claims is suitable for any gas. Because the regulator is spring loaded, it automati-cally seals itself against the atmosphere and thus prevents products like paint solidifying in the nozzle, Moreover, as the required pressures are low, eating the can to as much as 50 deg C will have no danger-ous side effects.

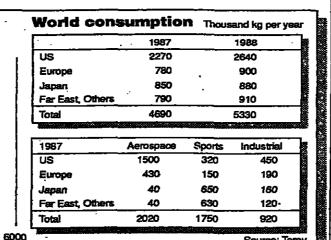
Comment has developed a diffuser to handle viscous products such as mustard and beauty creams, plus a system for recharging aerosols at home. Other applications include an aerosol toothpick, which squirts water, at high pressure, from a fine nozzle into places that other toothpicks cannot reach.



2000

1000

3000



# The Japanese show their fibre

5000

Stefan Wagstyl describes how a western initiative has moved east

Toho Rayon sold its technology

under licence to BASF, the

West German chemicals group, and to AKZO, the Dutch chemi-

Carbon fibre sports goods

believe that the market is satu-

rated. So they are concentrat-

ing on aerospace - the market originally envisaged for the

material by the British pio-

This will push Toray and Toho Rayon into much more

direct competition with US and European competitors. Since

only 5 per cent of Japanese car-

bon fibre consumption is in

aerospace, compared with 56 per cent in Europe and 65 per

cent in the US, increases in

Japanese output will largely be

Carbon fibre was first used

in military aircraft in the late

the early 1980s - including the

Boeing 737 and the European A310 Airbus. Since then, it has

been used to make larger com-

ponents, although mostly in

parts of the aeroplane which

are not vital to its airworthi-

ness. The Boeing 7J7, an air-liner scheduled for production

1970s and in civilian aircraft in

cals concern.

exported.

he controversy over a US-Japan project jointly to develop a jet fighter has high-lighted Japanese skills in an important area of technology carbon fibres.

if the project, code-named FSX, goes ahead, Japan will provide wings made of carbon fibre for the new aircraft.

The country is expanding carbon fibre production capac-ity by more than 50 per cent to et rising demand from the world aerospace industry. Producers are investing heavily in plant and equipment, which will increase capacity from 3,340 tonnes a year in 1989 to an estimated 5,190 tonnes by the end of next year, according to Toray Industries, Japan's largest manufacturer. Toray alone is investing Y6bn (£27m). This will bring Japan's share

of the total production capacity of the non-Communist world close to 50 per cent, with Toray and Toho Rayon, the second biggest manufacturer, accounting for the bulk of Japanese

output.
Carbon fibre has long been a product which has performed wonders in the laboratory, but often disappointed in the market. The material is light and strong. It has only two thirds of the density of aluminium and one fifth that of steel. But it cracks easily and is difficult to machine into specific shapes and sizes.

Carbon fibres made from polyacrylonitrile (Pan) – the most commonly used material – were largely developed in British Government serospace laboratories in the 1960s. Rolls-Royce tried to incorporate them in its revolutionary RB211 jet engine, but ran into development difficulties which contributed to its collapse, Under Government owner-

4000

ship, Rolis-Royce continued to develop carbon fibre technology, as did other companies including Courtaulds, in the UK, and Hercules and Union Carbide in the US. But Japanese companies, led by Toray and Toho Rayon, were the first to market carbon fibre successfully - in the form of fishing rods, golf clubs and tennis

not due to any technological lead. Toray and Toho both bought their technology on licence from the British Gov-ernment. Junichi Matsui, general manager of technology at Toray's advanced composite materials division, says: "Britain is the mother country

This Japanese success was

But Japanese groups have a crucial advantage in commercialising their material - Japanese consumers are much keener than those in western countries to try out new products. Fashion plays a key role in popularising new kinds of sports equipment - even someone who plays golf only once or twice a year will change his clubs frequently so that he owns the latest models. Toshio Toura, a Toray direc-

tor, says that rapid increases in sales allowed the group to

invest quickly in mass produc-

in the early 1990s, will proba-bly be the first civilian aircraft tion of carbon fibre - which western rivals were unable to do. Toray was able to fund with a substantial section of its technological advances of its own, to make the fibres thinstructure made of carbon fibre

the whole tail. ner and stronger. It then sold this knowledge back to the The use of carbon fibre in military aircraft is harder to track. Those so far in service, west - in a licence agreement with Union Carbide and in a including the US F-16, have small non-vital components joint venture set up in France with Ato Chimie. Similarly made of the material. But the planned FSX would have wings made of carbon fibre, using a secret process developed in Japan. Carbon fibre has also been used in so-called "Stealth" technology (to make aircraft less easy to detect by radar), developed for the US army and incorporated in the have spread around the world and Japanese makers now

Source: Toray

state-of-the-art B2 bomber. The key point from the fibre makers' point of view is that until now the parts made from carbon fibre have been rela-tively small. So the switch to large parts could produce dramatic increases in demand in the early 1990s and beyond. Toray forecasts the world carbon fibre market will grow by 10 to 12 per cent a year. But the scale of its investment programme suggests it expects

this to be an underestimate. The irony is that the development of carbon fibre would then have come full circle – finally penetrating the market for which it was originally intended. In the process, technological honours have been shared equally between Japanese, US and European companies. But the commercial initiative, as in so many other fields, has passed from the

### **Typewriting** pianissimo

XEROX has launched a typing system called Plano, which Geoff Leaventhall, head of the Institute of Environmental Engineering at South Bank Polytechnic, London, says is "the quietest typewriter I have tested."

The company has spent four years and \$40m (£24m) developing the system, which has a noise level of 46 decibels - claimed to be 10 decibels quieter than any other product on the market. Xerox believes that there

is a definite role for typing

systems which can quietly handle conventional tasks tike single lettera, envelopes, labels and pre-printed forms, as well as providing Plano looks like, and can be used as, a conventional electronic typewriter but, with the aid of an associated display, it becomes a word

in the print head, impact noise has been partially designed out by controlling the force with which each character slug hits the paper Each relatively heavy "print tip" gives out a quieter sound than conventional types sufficient impression on the paper being maintained by

moment of impact. Piano 1 has a three-line. 80-character Houid crystal display; Piano 2 has a 9 in diagonal screen and Piano 3 has a 3.5 in disk drive to give large memory. Prices range from £1,145 to £1,945.

electro-magnetically at the

speeding it up

### Metal jacket for optical fibre

HUGHES Aircraft, of California, has developed a metal coated optical fibre which allows a soldered, sealed entry to be made to electronic packages containing laser light generators, photo-detectors and associated electronics.

Hughes claims that the usual plastic coating of these silica fibres is prone to damage at high temperatures and that moisture and other contaminants will penetrate the epoxy resin used at the entry point for sealing.

The company's new coating is said to be the first to meet the durability standard of US military specifications. The fibre has a multi-layer metal izcket. First, it is coated

### WORTH WATCHING

Edited by Geoffrey Charlish

manufacture to preserve the intrinsic strength of the fibre. Then a nickel layer combines with the solder for permanen bonding. A final gold layer prevents oxidation of the

### A short cut to spare keys

A COMPUTERISED key-cutting chine has been develope by HK Industries, of France and is available in the UK from Davenport Burgess of Willenhall in the West Midlands.

Known as intercode, the machine has 10 megabytes of memory and can securely store several million code for the quick and foolproof production of spare keys, which exactly match the manufacturer's specifications The machine automatically converts the codes into movements for the cutting head, which is housed with the electronics in a bench-to

Time is saved through not having to search for information about a particular key, says the company. After the appropriate code is entered via the keyboard, the machine will cut a single-sided key in 15 seconds and a double-sided one in less than a minute. All the information is held in memory cartridges which are plugged into a slot in the

### AA maps out savings

THE UK's Automobile Association is to save about £750,000 on royalty payments by compiling maps based on satellite photography and its own road research. Up to now, the AA has paid a

oyalty to the Government's Ordnance Survey for each map in the 5m members' handbooks which it prints

annually.
The information about Britain's made is now held by the AA's cartographic team in digital form in a computer. Colour and scale can be changed instantly. Different ayers of information are individually coded and the system produces colour separation films ready for printing. An advantage is that almost any kind of map can be made to suit the customer's requirements — for example, a map of public houses could be produced

for the brewing industry. Ralph Robbins, Informa service manager, says that have been reduced, maps and users will not need to hang on to outdated versions. He also ctaims that "no other organisation, government or gathering network and road database as comprehensive as the AA's."

### Clearer picture for video copies

SONY has developed a portable video tape recorder, the DVR-1, which is said to offer better picture quality and to allow copies to be made without the picture degradation associated with analogue machines. The recorder weighs 11 kg and can record up to 11/2 hours on a cassette tape.
The machine will come on

to the market in Japan next January at a price of Y4.9m (£22,000) and is almed at professionals such as television journalists. Sony says that it plans to produce consumer model, eventually bringing the price down to about Y100,000.

The recorder is able to reject noise. The recording is electronically represented by a series of very short on-off signals, or pulses. For re-recording, these pulses can be precisely reproduced and used again without differing from the original. In analogue re-recording, any noise in the system is added on each occasion a recording is made and the result soon becomes unacceptable.

CONTACTS: Rank Xerox (UK): 0895 51133. Hughes Aircraft US, (213) 616 1022; London, 398 9636. Davenport Burgess: UK, 0902 366448. AA: UK, Burgess: UK, 0902 389446, AA, 3 0256 492049, Sony: UK, 0784 61688.

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profit-sharing certificates with talons will be renewed. In this regard the holders of these profit-sharing certificates are invited to exchange them for new profit-sharing certificates complete with dividend warrants, numbered from 1 onwards, and

The exchange will take place as from April 26, 1989, at Bank Mees & Hope NV, Herengracht 548, Amsterdam, without co-ordinating the certificate numbers.

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In order to enable profit-sharing certificate holders to exchange their certificates without paying commisson, upto and including July 26, 1989, members of the Stock Exchange Association will be reimbursed with the official commission, amounting to DFL 2 per certificate, plus the client's instruction fee, minus 4,75% surcharge

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> Board of Directors N.V. MUNMAATSCHAPPLI CURACAO

Amsterdam, April 25, 1989.

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		SP	ONSORED	SEC	CUR	ITL	IES	•
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ı	33	25	888 Design Group (USM)	30	0	21	6.8	4.8
П	172	149		172	0	2.7	1.6	29.4
Н	110	105		110m	٥	6.7	6.1	-
H	123	108		109m	8	5.9	54	9.5
Н	110	107		106	0	11.6	10.2	•
Н	303	285	CCL Group Ordinary	303	+1	12.3	4.1	4.6
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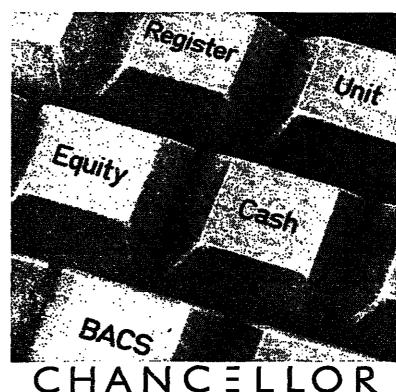
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### **MANAGEMENT:** The Growing Business

Patents

# A bewildering and complex subject

Charles Batchelor concludes the series by explaining the viability of safeguarding intellectual property

Danhurv. Essex-hased manufacturer of equipment for sorting pota-toes, spends £15,000 a year on patents. This is a considerable sum for a company with turn-over of just £2m and a work-force of 25 but essential if it is to keep its technological lead over its competitors.

"We survive by inventions," says Mick Cowlin, chairman. "We have to keep ahead of the market." Cowlin reckons he has taken out no fewer than 50 patents over the past 30 years. At the moment he has 10 regis-tered and a further 12 for which he has filed an applica-

Loctronic's efforts to protect its innovations appear to have paid off. The company makes a quarter of its sales in the US, the most litigious and aggressive environment for the inventive company, and has never had a challenge to its

patents there.
It was not always so succe ful in defending its new prod-ucts. Up to the mid-1970s, when Loctronic was still making what Cowlin calls "a blacksmith line of equipment," the company was too busy meeting buoyant demand to bother with effective protection. But when the company moved into the electronic field it began taking out strong patents covering its innovations in most developed countries around the world.

The time and effort which Loctronic devotes to protecting its inventions is unusual for a small company. And yet, for many companies, their future depends on successful exploitation of their innovative skills.

"Many people are frightened of the whole idea because they think patent work is complicated," says Jacqueline Needle, a patent agent with the Lon-don firm of Beck, Greener, who

advises Loctronic. It is not only the individual businessperson who is bewildered by the complexity of the subject. Many venture capitalists, who are an important source of equity finance for understand the field of intellectual property rights, according to a newly-published report.\*

More than 60 per cent of the venture capitalists polled said they knew little or nothing about recent changes in intellectual property law.

Cation to an existing machine which could be carried out by a competent engineer would fail on the grounds that it was "obvious."

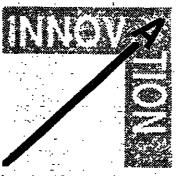
To be new the invention must not have been revealed to anyone else, "People come in

lectual property law.

Even the professionals in the field of patents are critical of the Copyright, Designs and Patents Act which is due to come into effect later this year.

"The intention was to rede-

fine the law of copyright, which was out of date, but the government threw everything in. It's a hotchpotch," says



The major changes contained in the act include: replacing copyright protection for industrial designs by a new form of "design right", opening the field of patent advice to all-coners, though the term patent agent remains restricted to qualified professionals; and creating a county court for patent disputes in an effort to reduce the cost of litigation.

Beyond this, though, as far as the innovative businessper-son is concerned, the basic framework of intellectual property protection remains unchanged. Patents offer the strongest defence though more limited protection is available from registered designs, copy-right and trade marks.

Licences usually involve one of these protective devices though negotiating licence deals is a skill in itself.

Patents may be applied to inventions which offer some-thing which is new and which high-tech companies, do not is not obvious. A minor modifi-

anyone else. "People come in and say they've sold 50,000 of a particular product, they've got a German company interested in manufacturing and can they have a patent," says Needle.
"It's very depressing. We have to say they can't because it has been disclosed."

Academics are also frequent offenders against the disclosure rule because they reveal inventions in journals or at conferences.

Obtaining a patent, from the date of the first filing with the Patent Office, can take up to 4½ years. If the inventor has used a patent agent he will probably be faced with a total bill of between £800 and £1,400 in London (less in the regions). But both the cost and the time will increase substantially if the inventor goes for the international patents which are essential if he is effectively to cover his innovations. Translating the patent and obtaining the official approvals needed from foreign patent offices may extend the process to between five and seven

involved in obtaining patents. and because of the need to establish novelty that some companies opt to register the design of their products, thereby protecting its visual appearance. Manufacturers of seasonal products can obtain design registration within six months and for just £200 or so. Copyright, which is automatic and free, is often the only protection open to the writer of computer software, though proving a programme has been copied is very diffi-

It is because of the time

Products which are obvious or not new, or which lack unique visual characteristics, may be protected by a trade mark. Other manufacturers may copy the product but it will lack the customer appeal



Mick Cowlin: "We survive by inventions"; he has taken out 50 patents over 30 years

of the original backed by a well-known brand-name. Registering a trade mark will cost between £450 and £650 and take between 18 months and two

Often, inventors get carried away with the idea of hanging a certificate on their wall and forget the purpose of the patent. "I see a lot of inventors spend a lot of money on patents without giving any thought to their exploitation," says John Emanuel, managing director of Pax Technology Transfer, a consultancy group, and chairman of the Institute of International Licensing Practitioners.

But if some people collect patents for their prestige value, others are put off the whole idea of protecting their innovations by the fear that they will be challenged by a larger and richer competitor. Horror stories abound of

inventors who have been muscled aside by rivals and of companies facing massive legal bills as they attempt to defend their rights.

The cost of a legal defence of a patent can be high. Some businessmen believe the best way round this is constantly to update their products so that competitors never catch up. This may be valid for certain consumer products with a short "shelf-life" but most products require a more long-term approach.

One answer is to devise a strategy which either prevents people challenging your patents or which leads to a compromise if they do.

One inventor successfully took to court a small company which had infringed his patents. This one, relatively inexpensive, legal action established his reputation as a tough customer and no-one

else took him on.
Another businessman decided to licence his invention quite cheaply to any com-pany which was interested. This proved far more effective and more lucrative than very expensive licence deals with just one or two companies which would almost certainly have been infringed by other manufacturers.

The danger remains that however strong your patent, a determined and wealthy rival will always be able to wear down either the patent or its owner. Strong patents which are professionally defended very rarely attract challenges,

however.
"Out of every 100 patents I see only one goes to court," says Simon Cooke, senior patent partner of Bristows Cooke & Carpmael, a London law firm. "The cases you do see are generally about badly-drafted patents. It is a question of playing good poker and of using your natural business acumen rather than of relying on the law."

A growing number of businesspeople are also backing their patents with legal insurance cover.

If the businessman lacks the resources to develop and mar-ket his own invention the best way of exploiting it may be by means of a licence. Negotia-

tions must be carefully handled so that the licensor does not reveal too much about his invention at too early a stage. The licensor wants to be sure the licensee has the resources to do justice to the product while the licencee is concerned that the product is a good one and that there is a market for

"You can avoid conflicts if the licence is realistically writ-ten," says Emanuel. "It must take into account the value of the project, the secrecy of the know-how and the strength of the patent."

The licencee will want to know how he will get the technology, how he gets access to any improvements that are made and what recourse he has if the licensor doesn't produce the goods. The licensor wants to be sure he will get paid and how; what happens if the licencee improves the prod-uct and how the patent will be

How to protect and exploit your intellectual property is a subject fraught with difficulty for the growing company and professional advice will proba-bly be needed. "It's a precise art but it's very straightforward if you understand the procedure," comments Loc-tronic's Mick Cowlin.

Previous articles in this series appeared on March 28, April 4

"intellectual Property Rights and Techniogy Investment: A Study of Venture Capitelists' Understanding and Awareness. 225 from Quemin Beit Organisation. Tel 81-373 0304. Contact: The Chartered Institute of Petent Agents. Tel 01-405 9450; The Patent Office, Tel 01-205 5512: The Institute of International Licansing Pracditioners. Tel-01-439 7091.

### Now the VATman must record his delivery

By Charles Batchelor

the VATman must ensure that a surcharge warning notice has actually been received by the taxpayer before imposing a penalty for late payment, according to a recent High

Court ruling.
The VAT office posted a surcharge liability notice to Med-way Draughting and Technical way Draughting and Technical Services, a UK contract draw-ing office company based in Suodiand, Kent, which did not arrive. Ruling against the Commissioners for Customs and Excise, Mr Justice Mac-Pherson said the law stated that taxpayers should be given notice of their liability to sur-charsa.

charge.
John Booker, managing director of Medway, said the first indication he had that he had not paid his VAT was when he received a surcharge notice for £533 in October 1987. Notices are issued to traders who are late in paying tax or sending in VAT returns twice within 12 months.

The notice warns that any delay in payment in the next 12 months will cause a surcharge to be added to the amount of tax delayed. The surcharge rate starts at 5 per cent and rises to a maximum

of 30 per cent.

Medway, which employs 35 people and has turnover of £400,000, won the case when it went to a VAT tribunal, but Customs appealed to the High Court. "There was no way I could afford the High Court costs of £3,000 or £4,000," said Booker. "But I had the bit between my teeth."

Booker won the backing of the National Federation of Self Employed and Small Businesses though he was not a member at the time. The federation offered advice and finan-cial help; but in the event, Medway was awarded costs.

"Customs should send all warning notices out by recorded delivery so that there can be no doubt that the taxpayer receives them," says Tony Miller, the federation's tax committee chalrman. "Recorded delivery postage would only add £26,000 to the VATman's bill. Compared with the £45bn collected by taxpayers in VAT this sum is minus-cule."

### In brief...

■ Girobank has launched a new fixed interest Business Development Loan for amounts of between £15,000 and £250,000; it says this will

meet criticism that banks did not clearly state their charges. Loans, available for most business expansion purposes, are charged a fixed rate of interest for 10 years, allowing more accurate financial planning, with an option to continue with a revised fixed rate or switch to a floating rate

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Applications for the Government's Loan Guarantee Scheme have been running at a rate of 200 a month this year compared with an average of 180 a month in 1988 and only 90 a month in 1987. The sharp rise in

applications over the past 16 months was due to the streamlined arrangements for dealing with loans up to

£15,000 which were introduced in January 1988, said John Cope, small firms minister. Forty-five per cent of new loans made under the scheme are for these smaller amounts, a far higher percentage than before.

Recent figures showed a failure rate for guarantee-backed firms of one in four after three years compared with one in three for small firms generally. The scheme guarantees 70 per cent of loans rising to 85 per cent in inner city task force areas.

A three-day conference and exhibition on managing growth is to be held on May 23 and 24 at Olympia in London. The Business & Corporate Finance '89 Conference will look at aspects of growth from start-up to Unlisted Securities Market flotation and including buy-outs, buy-ins and acquisitions.

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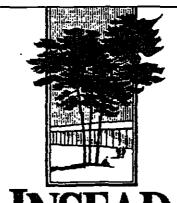
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Der Prinz von

Homburg

# Mid-generation minimalists

William Packer reviews the Saatchi Collection and the Karsten Schubert gallery

ondon now offers the young and unknown artist infinitely more opportunity to show his work than existed even 20 years ago. But that said, London has never been committed to the newest fad and the very latest reputation simply for being the newest and latest. There has always been evident the practical corrective of work of established, even old fash-

ioned critical standing.
While the latest super-nova
of New York is sure, sooner or later, to swim into his ken, the British watcher of the skies, at least, is usually able to stand back a little and take the

broader view. That the Saatchi Collection which so often has appeared to acquire its stuff wholesale and uncritically, making and then sustaining an artist's reputation simply by virtue of its known intervention - should also so regularly afford us the opportunity of the comparative and sobering review is one of the nicer ironies of our present-day art world. Each show in the sequence of definitive selections from the Collection is therefore a signal event, most especially when, as now, the work on show is not that of

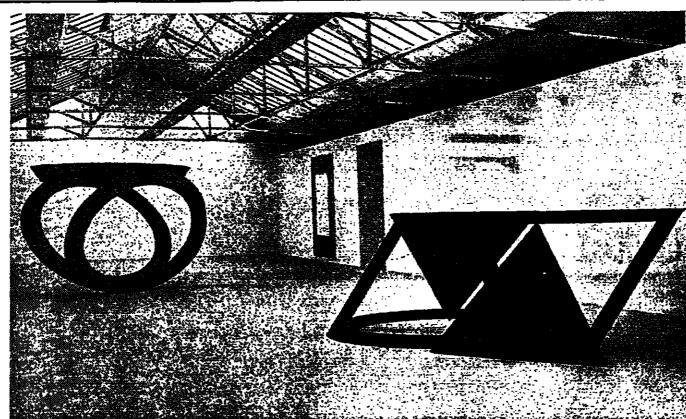
yesterday's man but his of the day before. But we should need no prompting to make the visit, for whatever the nature of the display Max Gordon's conversion of the vast interior of the former factory (at 98a Boundary Road, NW8) remains the primary exhibit, and as exhilarating as ever. The only caveat is that so generous is the space to whatever it holds that, to look even half bad, any work must be truly awful; viewer

Two mid-generation American minimalists, Robert Mangold and Bruce Nauman are gold and Bruce Nauman are the current heroes (throughout the summer: Fridays and Sat-urdays or by appointment — 01 624 8299), the one a painter, the other a sculptor, and both of them represented by work that runs from the late 1960s to the mid 1980s. And in these revisionist times, with content at a premium, figuration the rule ger beyond all consideration, it is salutary to be salutary to be reminded of what minimalism can mean, in terms of content and the spiritual, in the hands of two wor-thy, if not extraordinary exponents. For minimal was always an epithet more convenient than precise, that referred to economy of means rather than to any paucity or limitation of

idea or imagination. The elegant statement of a simple figure, motif or princi-ple is not held, in such other disciplines as music or mathematics, or even literature, to qualify its profundity; and yet the literal demands commonly made upon visual expression educated and sophisticated cul-

Mangold's work rests on the basic figures of geometry - square, circle, triangle, ellipse which he disposes on a large scale with a matching simplicity, making frequent use of the shaped and divided canvas to play out his elegant games of proportion and figurative — to reapply the word — opposition. A bare circle inscribed upon

a single colour field may sound all too simple, but the rich colour draws in the eye, while the elegant reticence of the state-ment oddly activates the picto-rial space, teasing the imagina-



The Bruce Nauman and Robert Mangold installation at the Saatchi Collection

tion into moving speculatively through and beyond the picture plane and the surface of the canvas. It is a world of pictorial illusion and suggestion that is as much the prov-ince of the minimalist as of any painter of the figure, land-

scape or still-life. Nauman, the sculptor, is more various an artist and more the conceptualist than minimalist, taking the idea first and finding the form to fit it, moving thus from fibre glass to grease to metal to neon-lighting to video tape as need

The neon sequence runs through the virtues, but overlaid or underwritten by the seven deadly sins. A huge circle hovers high above two others on the floor. Sheets of aluminium, plastic, felt and rubber, physically pierced by

the artist himself and thickly spread with grease, are pressed together into a single wodge. Two inverted fibre-glass chan-nels rear up snake-like together. And on the multivigorously about each other over their "diner intime." Video is a medium with an immediate and infinite capac-ity to bore, but I must say that "Violent Incident" is wonder-fully if appallingly engaging. Minimalist perhaps, conceptualist yes, but Nauman is nothing if he is not a romantic.

At Karsten Schubert (85 Charlotte Street until May 13), one of the most distinctive and, in his time notorious of British minimalists, Bob Law, is showing a group of drawings from the early 1960s. Law is also a sculptor and too often in the

past the essential connection between his paintings and graphic work and his sculpture was not clearly established. This small show is hardly likely to persuade the commit-ted anti-minimalist that there is more to a square drawn on a piece of paper than that. But for Law himself to move

from proposing sculpture by the near-diagrammatic drawing of blocks and cubes on a table, to setting a single block map-like on the page, as it were a field, to stating that field as a simple field of tone or colour - and back again to making sculpture proper of blocks and spheres and furniture, has always been natural enough. These drawings have a curiously resonant presence, for all their simplicity and remind us that a fuller view of Law's work, his sculpture espe-

the male nude by Bruce Weber. which are at once witty and technically distinguished. To and that they are explicit yet entirely inoffensive, however. is to raise a delicate but fasci-nating general point. The fun is not always intentional, and so it is not altogether fair to make Weber responsible: the fault is in ourselves. Why is it there is something so comical about Billy, Rick or Tom in the great outdoors, of which the conventional female nude, unequivocally erotic though she may well be, is entirely free? The admirably idiosyncratic fashion photography of Koto Bolofo, now at the Pho-tographers' Gallery (5 & 8 Great Newport Street: until May 20) makes this very point.

The libretto by Ingeborg Bachmann reworks the play by Heinrich von Kleist with some skill, preserving much of its action and often enhancing the curiously teasing world it inhabits. Its theme of the introverted covering commander verted cavalry commander whose inability to reconcile his abstracted longings with the demands of military life brings him to the edge of disaster, is a cially, is overdue. Schubert's upper room is given to recent photographs of curiously involving one even though the characters are con-ceived sometimes as remote and bloodless. John Evans' studio version remarried play and opera; in place of the conventional synopses that punctuate most opera broadcasts extracts from an English translation of Kleist, spoken by Derek Jacobi, were interpolated between the scenes, it worked well almost too well at times, when the imagery of the original almost made the musical treatment redundant - nothing in

Henze's musical realisation of the battle of Fehrbellin can match Kleist's limpld descrip-tion of that day. But the blur-ring of the distinctions between dream and reality, so even-handedly treated in the play yet firmly weighted towards poeticised fantssy in the opera, is the strength of the music, and made the sub-ject an ideal one for Henze at Henze's third stage work, first performed in 1960 by the Ham-burg State Opera and brought to Sadler's Wells by the same company two years later. remains with its immediate remains with its immediate predecessor King Stog the least known of his operatic canon.

Der Prinz von Homburg may lack the glamorous literary pedigree of Elegy for Young Lovers and The Bassarids, or the political allure of the later. ject an ideal one for Henre at that point in his development, when Italianate warmth and theatrical actions, but the lyricism were beginning to per-meate the crisper soundworld of his earlier music. Both have their places in Der Prinz vom BBC's studio production, broadcast on Saturday, made a good case for its musical vir-tues, and its feeling of thor-Hombury, and the ambiguity between them is effectively exploited, even if the vocal ough-going dramatic sense. It is a well-made piece that could easily justify a London produc-

exploited, even it the votal lines are not always as well characterised as they might be. The performance was founded upon the BBC Scottish Symphony and the John Currie Singers, conducted with directness and a fine feel for the textural niceties by Ronald Zollman. Roland Hermann sang the role of the Prince, a little plummily at times per-haps for a character whose aspirations need to seem more sympathetic; William Cochran was the Prince of Branden-burg Alan Opie the Field Mar-shal, while Howard Haskin made much of Count Hohenzol lern, the Prince's confidente. The ladies have less reward in this opera — Anne Collins was the Princess, and Carol Smith Natalie, whose appearance starts the whole train of events. A fascinating enterprise, and undoubtedly a work that one is glad to have had the opportunity to explore.

Andrew Clements

# BBC Symphony

FESTIVAL HALL

On Sunday, Lother Zagrosek's programme with the BBC Symphony represented two young Russian expairiates — Stravinsky with his Firebrid Suits, and the "dissident" poet hina Ratushinskaya in Brian Elias's new song-cycle on five of her poems — as well as an old Czech atheist with his devout Mass. One was curious to know what part of the audi-ence might, unofficially, be representing Eastern Europe at this awkward occasion. The new Elias cycle is orchestrally rich and dramatic, with a far-ranging mezzo-so-prano soloist; here Elizabeth

surely superlative justice to her part, technically astonishing and committed to the hilt. Zagrosek seemed to have prenared the score with no less searching care. It struck home with force, but the development of the musical thought continuous from the start was kept pellucid. Rlias has arranged the five chosen poems as if they were successive chapters in a monologue, centred upon Ratushinskaya's prison experience. Sometimes the orchestral music is violently impassioned beyond the taut, intimate scale of the poems: most blatantly in the fourth, "Pencil Letter," where the private epistolary gasps are tossed upon huge waves of bit-

ter protest. The effect is to set the first-person distress amid a torrent of Western moral outrage. That might have amounted to post-er-painting - but Elias has not stinted on sharp musical invention, nor on dramatic contrasts of his own devising.

The second song evokes at The second song evokes at once a light, timeless ballad-style and grimly sardonic sug-gestions, the despairing vein of the third (with obbligato flugel-horn) is exposed raw, in the tradition of Mahler and Shostakovich. The angry fourth con-cindes with heavy bells, which then dissolve into silvery polyphony — all the tuned metallic percussion — for the final song, Familiar neo-roman-tic devices here and there, like the Berg trick of erecting a strident chord in steps from the bottom up, don't compro-mise the publicative individual Ellas voice.

Zagrosek's *Firebird* was sym pathetic, if a little too clever. he risked fading the Technicolor score with his sophisticated dynamic contrasts, and the orchestra sounded anxious in his racy "Danse infernale." But Janacek's "Glagolitic" Mass was resplendent, with an intrepid solo quartet (the tenor Ian Caley mastered his near-impossible part better than the trumpets did theirs) and the BBC Symphony Chorus wonderfully unanimous and fervent. In the Credo organ-cadenza Christopher Bowers-Broadbent made the Festival Hall instrument roar cogently - though his Post-lude, staid in the middle, went reckless toward the end. No matter: the bracing effect of the whole easily met the standard that Janacek's openhearted score demands. No other setting of the Mass is at once so "popular" and so severely original.

**David Murray** 

# The Phantom Violin

QUEEN ELIZABETH HALL

From Werther and his sorrows to Schubert's winter traveller, the forlorn early Romantic hero is a familiar figure. To make him the sport of ridicule might well have seemed too easy a task and so it is a delight to report how skilfully Théâtre de Complicité in their recent show of mime, words and music, given a single performance at the Queen Elizabeth Hall on Saturday, have

lured and trapped their prey. Set in 1823, The Phantom Violin is a compendium of extracts, often only odd lines or phrases, from early 19th century texts and musical works devised by Gerard McBurney. With merely a sofa and a fireplace as props, our Byronic hero takes the audience on a tour of favourite early Romantic haunts: to a forest, to a ruined abbey in the midst of a storm and a masked ball where he is bewitched by a elusive young beauty, each Would we get the ball scene from Berlioz's Symphonie fan-tastique or "Le Spectre de la

rose"? In the event no, though

a snatch of the symphony did

slip past later. Apart from the

opening chords of Mendels-

Dream to portray the moon.

McBurney generally tries to

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avoid obvious musical similes because it is not the object of the evening to have the audience trying to identify all the

references.

The aim is rather to encapsulate all that it meant to be an artistic thinker in the early 1800s. With Eric Mallett playing the young man with exquisite sensibility, the feeling of the show is as affectionate as it is humorous, even when it takes a sly dig in the hero's ribs by getting him to write his poetry with a giant quill or row off in search of his loved one in a boat that was actually the upturned sofa. The cast as a whole reveals a splen-

didly dry wit. Among the bits and pieces there are a few substantial vocal numbers, very capably sung by Adrian Thompson and Lynda Russell, beautifully pure in tone for her unidentified "Ave Maria." The small instrumental band of Chameleon was led by Elisabeth Perry, who had to negotiate the Paganini-derived excess of the Phantom Violinst himself, a cloaked and shadowy villain who could well have scuttled out of an opera by Marschner. Just one more source to add to Théâtre de Complicité's already long list. sohn's Midsummer Night's

Richard Fairman

# Rattle's Mahler

BARBICAN HALL

The regular appearances of Simon Rattle and the City of Birmingham Symphony now count among London's most prized concert experiences. Friday's showed why. The main work, Mahler's Seventh Symphony, was given an incandescent performance. It was alive, lived-in, felt. We hear much Mahler in London, sometimes played with splashier virtuosity than the CBSO can con mand (the violins were excellently solid but not rich or refulgent of tone); what we hear too seldom is meaningful Mahler, of which this Seventh

was an outstanding example. As ever in listening to a Rat-tle performance of this com-poser's works, one becomes wholly absorbed in the conductor's attempt to get to grips with the meaning of the notes and their copious expressionmarks. This is a work that inhabits a dream-world — of proto-Wellian nightmarishness (in the opening) and also of the two "Night music" movements). Rattle and his players responded to every quicksilver change of mood (the flexible rubato pacing of the Andante

amoroso, warm but never cloying, was a marvel of musicianly sensitivity). The colours of this most poetically sombre-hued of all Mahler symphonies were obtained with utmost delicacy - the skeletal note-pat-ter of the Scherzo gave just one of many choice examples.

And, most important, the work held together as a whole. The stumbling block of the renth is usually the C major finale, in which a post-Meistersinger brashness disperses the dream clouds. Here, it was offered with the same mercurial responsiveness

seem a garish let down. It was no less typical of Rat-tle's un-superstar-like musical personality that he should choose to precede Mahler with the London premieres of two short, recent Elliott Carter compositions — A celebration of some 100 x 150 notes (a brilliant, fast-moving spatter of notes and phrases) and the elegaic Remembrance trombone solo pointed the way on to Mahler. Marvellous programme, marvellous concert.

to shifts and mood, and did not

Max Loppert

# Hynninen

The Finnish baritone Jorma Hynninen, besides being director of the National Opera in Helsinki, is a regular visitor on stage in Vienna, Milan, Paris, and at the Met in New York, where he has recently been singing the title-role in Eugene Onegin. In London we have to make do with his concerts and Lieder recitals, which is very

nice as far as it goes. Yesterday's Smith Square recital, broadcast live and to be repeated on Sunday, seemed to mark a further stage in his progress. His lower register has taking on a voluminous, expansive quality reminiscent

of Finnish basses rather than baritones; the tone is hugely meaty, with plenty of space round it, an impression doubtless strengthened by the St John's acoustics. The top, firm as ever, remains heroic, bright and fiery by turn. This an instrument under total control - Hynninen's range of tonecolour and dynamic remains as striking as ever - used with consummate musicianship.

He sang two cycles, Dichter-liebe and Kilpinen's defiantly well-made Spielmannslieder (Minstrel's Songs, 1933). The latter, a not strictly neces

Volksoper. The week's perfor-

mances include *Don Giovanni* 

Teatro Alla Scala. A Midsummer

footnote to the Winterreise, suited Hynninen's platform style better than the former. He is a natural stage creature yet his "performances" of songs are a matter of enhanced intensity rather than illustration in the manner of a Fisch-er-Dieskau, and his stance. rather like an athlete poised for a particularly juicy burdle race, easilyencompassed the right rather one-dimensional Affakt needed for Kilpinen.
But for all the up-front emotion, starkly fielded, in the

Schumann, for all the expres-sive projection of the words. one wished for a touch more depth and resonance, for-as example—a less fast, fierce, and violent "Ein Jüngling liebt ein Mädchen". Heine works through detachment, and Schumann followshis lead sufficiently for an element of it to be not inappropriate in performance. With Ralf Gothoni an equal partner creatively (the postludes to both cycles played with expressive individuality) this was a fine recital that unfairly left one wanting something more, more music, more bunigkeit, less athleticism.

Rodney Milnes

April 21-27

# **ARTS GUIDE**

**OPERA AND BALLET** 

conductor, Colin Davis, Stuart

Royal Opera, Covent Garden.

La clemenza di Tito, one of the
Royal Opera's most admired Mozart productions of the postwar
period, returns with its original

Burrows takes the title role, and the cast also includes Carol Vaness, Anne Sofie von Otter and Anne Mason. Swan Lake is danced to Petipa/Ivanov choreis danced to Petipa/ivanov choreography in the production by
Anthony Dowell which is conducted by Mark Ermler.
English National Opera, Coliseum. Eugene Onegin, an opera
not previously given by the ENO
at this theatre, is produced by
Graham Vick and conducted by
Mark Elder, with Jonathan Summers in the title role and Marle
McLauphlin as Tatwana. Another mers in the tifle role and Marie McLaughlin as Tatyana. Another performance of Jonathan Miller's dark, handsome staging of *Don Giovanni*, with Steven Page in the title role; and a revival of Janacek's *The Makropoulos Case* with Josephine Barstow as Emilia Marty.

English National Opera and Die Deutsche Oper Berlin in co-pro-duction of Tchaikovsky's Siep-ing Beauty alternating with Fer-ruccio Busoni's Faust. (47425371)

Staatsoper. Ballet: Dornröschen. Opera: Die Zauberflöse conducte by Nicholas Harnoncourt. La Forza del Destino conducted by Garcia Navaarro. (51444, ext.

Gösta Winbergh, Manfred Roehrl and Ingvar Wixell, Giselle rounds

Das Land des Lächelns, Die Zaub-erflöte, Gasparone, Der Freis-chutz, La Bohème and Die Fledermaus (51444, ext., 2662).

Night's Drewn with choreogra-phy by Robert de Warren and sets and costumes designe Nadine Bayliss (80.91.26). Teatro Dell'Opera. Beni Montre-sor's production of Rossini's *Zel-mira*, in a new, carefully pre-pared edition by musicologist Kathleen Hansell. (46,17.55).

Teatro La Fenice, Emil Tchaka-rov conducting Purcell's *Dido* and Aeneas, arranged by Benja-min Britten, and Stravinsky's Oedipus Rex (with text by Jean Cocteau). (5210151).

Teatro Comunale. Ruggero Rai-mondi sings the title role in a co-production with the Théâtre des Champs Elysées in Paris by Yannis Kokkos of Mussorgsky's Boris Godzmov, conducted by Vladimir Fedosesv. (529,999).

Tutte in Götz Friedrich's produc-tion with Angela Denning, Carol Malone, Mariana Chromila. Kelth Lewis and Lenus Carlson. Der Liebestrank returns with a new cast led by Jane Giering,

l'heuter des Westens. *Cosi fan* 

**Opera.** Harry Kupfer's wholly delightful production of *Belsuzar* with Helen Donath, Walter Raf-

feiner, Carmen Anhorn and Har-ald Stamm. Otello stars Wladimir Atlantow in the title role. La Traviata has Miriam Gauci outstanding as Violetta. Fausts Verdammis is sung by Delores Zigler. Also Der Rosenkavaller with Judith Beckmann. Cologne

Opera. Foust, sung in French, features Ulrich Hielscher Ashley Putnam, Fernando de la Mora

and Ludwig Baumann. Also two guest appearances by the Düssel-dorf opera with Romeo und Julia. Frankfurt Opera. Rusalka, produced by David Pountney and conduc-tedby Imre Pallo with Allan

Glassman, Kristine Clesinski, Clarry Bartha, Manfred Schenk, Eva Randova and Valentin Jar will have its premiere this week. Impressing the Czar has wonderful William Forsythe choreogra-phy. Stuttgart Opera. Die Soldaten, produced by Harry Kupfer will also beset

on TV with Nancy Shade, Mila-gro Vargas, Grace Hoffman, Mark Munkittrick, William Coch-ran and Michael Ebbecke, Also in repertory. Otello and Philip Glass' rarely played Einstein on

Opera. Le Nozze di Figoro has fine interpretations by Edith-Mathis, Pamela Coburn, Birgit Calm, Wolfgang Brendel, Alan Titus and Alfred Kuhn. Madame Butterfly has a first-rate cast led by Anna Tomowa-Sintow, Gudrun Wewezow and Giacomo Aragall. *Turandot*, produced by the late Jean Pierre-Ponnelle is sung by Ghena Dimitrova, Kelko Kamegawa, Friedrich Lenz and Thomas Woodman. Die Zauberflöte is sung by Pameia Coburn, Sumi Jo, Jan-Hendrik Rootering and Kieth Engen. **New York** 

Metropolitan Opera. The final fortnight of the season is dominated by two complete cycles of *Der Ring des Nibelungen* conducted by James Levine. In this first ambitious undertaking in 50 years, Gwyneth Jones sings Brunnhilde, William Johns is Siegfried and James Morris is Wotan. Lincoln Center Opera House (362 6000). New York City Ballet. The 90th New York season opens with Balanchine's ballets *Mozortian* wisodes and Tchaikovsky Piano Episodes and Tchatkotsky Plano Concerto No. 2 in a season that features 23 ballets by Balanchine 11 by Jerome Robbins and 7 by Peter Martins, including a Mar-tins world premiere on June 15. Ends June 25. Lincoln Center New York State Theatre (877

Tokyo

Matsuyama Ballet. Swan Lake. Kan'i Hoken Hall, Gotanda (Wed,

**SALEROOM** 

# Snuff for the rich man

Smuff bottles is one of those collecting markets that you can still get into with a kitty of around £1,000 or less. However, the prices for the best items at Sotheby's yesterday suggested that this could soon become a rich man's plaything. The top price was £31,900, well in excess of the £10,000 top

estimate, paid for a very rare "mutton fat" (so called after its brownish hue) snuff bottle made in the Emperor Quanlong's Imperial workshops in the middle of the 18th century. The combination of the unusual colouring and the Imperial mark accounted for the price. The bottle was recently brought into Sothe-by's at Billingshurst and was wisely sent to London for iden-tification and valuation. In the morning session the top price was the £28,050, dou-ble the estimate paid for a reseble the estimate, paid for a rare rock crystal bottle with an

inside - painting portraying Duanfang, the Governor of Sichuan province, who had evacuated the Empress Dowager Cixi from Peking during the Boxer uprising. He was assassinated in 1911. In 1982 it was sold at Sotheby's New York as part of the Box C York as part of the Bob C. Stevens collection for \$17,600. An 18th century jade snuff bottle doubled its top estimate at £24,750 and a jadeite snuff bottle of around 1800, estimated at up to £4,000, realised

£19,800. Both prices reflected the current demand for good jade, particularly from Far East buyers. In New York over the week end Sotheby's set an auction record of £285,714 for a pair of

18th century armchairs. They had been made around 1760 and much exhibited. The Japanese, abetted by the Americans, seem to have fallen in love with the glass of Gallé. At Sotheby's in Moncao on

Sunday they were out in force and a large blue vase on a bronze stand, made around 1900, doubled its estimate at £77,154 while another vase cream was at the top of its estimate, making £61,723. The 20th century decorative arts did better than the earlier furniture which was sought after at the top end but with little interest in items of mid-

interest in items of mid-dling quality. Top price was the £41,148 paid for a pair of Italian cabinets of the 17th cen-tury, with decorated tiles on their fronts. A ladies cabinet made around 1927 by Ruhl-mann went to a Paris dealer for £100,315. At Sotheby's in Chester tomorrow the most comprehensive collection of Weish earthenware pottery to come under

to be sold **Antony Thorneroft** 

the hammer for many years is

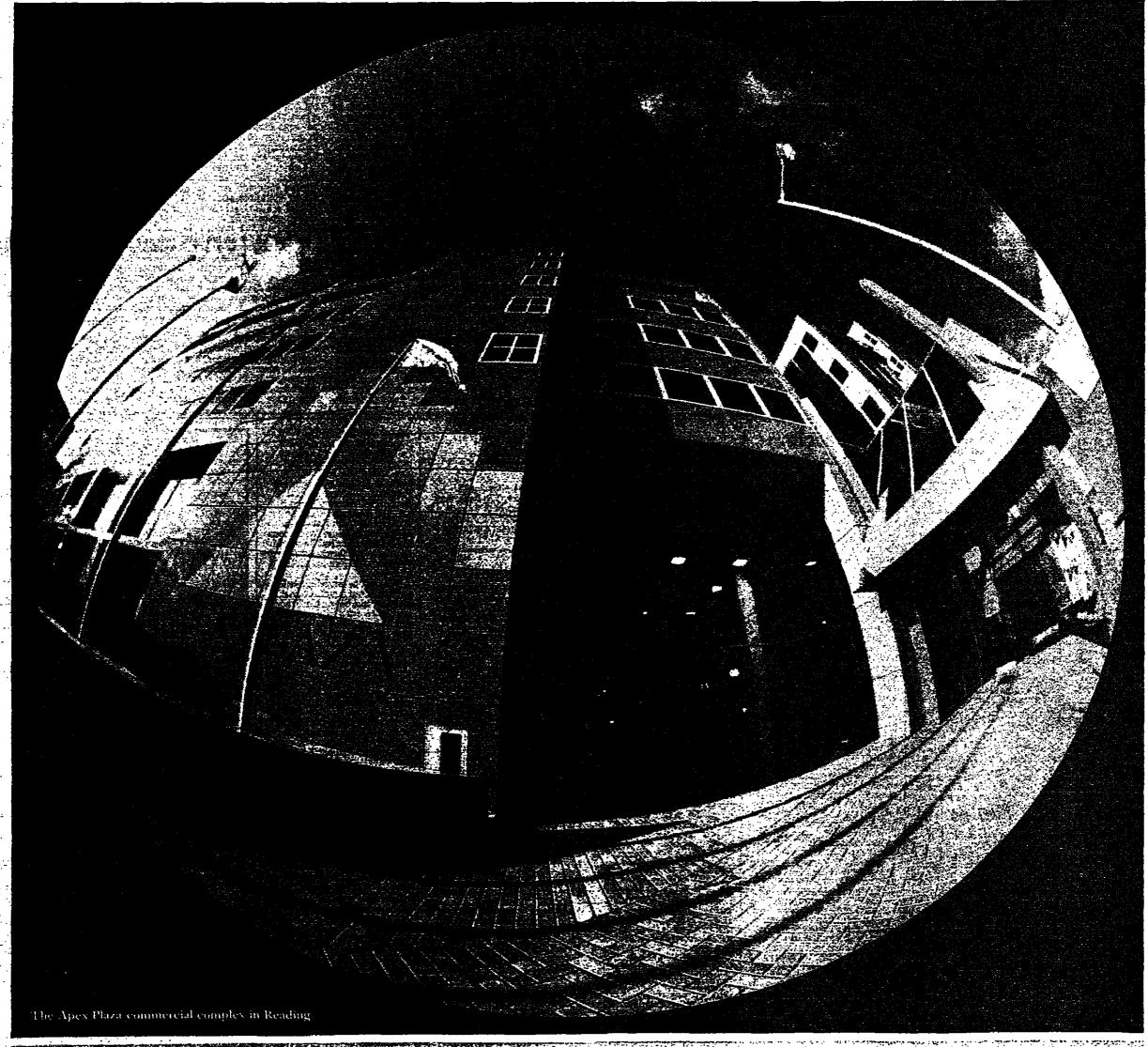
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Tuesday April 25 1989

# Confidence in Hong Kong

Kong and its 5.5m residents could be transferred quietly into China's embrace with no fuss are evaporating.

Hong Kong is unique. The tiny British colony is a vibrant example of the fruits of decades of free trade and imaginative entrepreneurship. Its foundations are that complex of intangibles which makes up business and investor confidence. When confidence wavers, Hong Kong totters; if confidence were ever to collapse Hong Kong's prosperity would fall.

Confidence is at present under severe pressure as the British House of Commons Foreign Affairs Select Commit-tee has discovered during a series of emotional public hear-

ings in the colony.

At the root of the anxiety is the impression that Britain and China are making arrangements prior to the transfer of sovereignty in 1997 to suit their own best interests rather than those of the people of Hong Kong. Yet Britain is relinquishing a colony not to independent self-determination but to a communist regime from which many of Hong Kong's inhabitants fled in 1948-49 and which has a poor record in the treatment of its other "acquisitions", most notably Tibet.

Despondency

Two issues are causing the despondency reflected in the meetings with the British MPs. One is the feeling that Britain has moved away from the spirit of the Joint Declaration of 1984 covering its exit from the colony. It has back-tracked on its determination to introduce some direct elections by 1988. The timetable for full democracy becomes ever vaguer and more circum-scribed. The second is that Britain has closed the escape route should anything go terri-bly wrong after the Chinese take over in 1997. The Hong Kong people, looking at the increasingly unpredictable situation in China, have been denied the insurance policy of a British passport carrying the

Some of Britain's staunchest supporters in the colony so far are not enough. .

ANY HOPES on the part of the British Government that Hong Chief Secretary, and Dame Chief Secretary, and Dame Lydia Dunn, the senior execu-tive councillor, stressed to the visiting MPs that the denial of full passports to the 3.4m British subjects (those who hold British Dependent Territory Citizen passports) has caused the deepest dismay and resentment. They have urged that all 3.4m should be given full passports and it is difficult to identify the statement of the subject to tify a fair alternative. Certainly, suggestions of a compromise by giving passports to some, such as long serving civil servants and policemen, is a divisive idea which should be dropped.

### Resistant

The British Government's problem is that it feels the British public is resistant to immigration and that parliament would refuse open access for Hong Kong which could produce similar pressures from other places. Reversing policy now could also give a wrong signal of lack of trust in the Chinese, so destabilising the colony's financial markets.

It may not be necessary to change course now. A strong and unambiguous statement that Britain would not turn its back on the Hong Kong people in an emergency before or after 1997 and would, if necessary, offer all of them refuge would be a great reassurance.

If the worst came to the

worst, the problems would not be insuperable. More than 1m white South Africans are legally entitled to settle in Britain and the Home Office, having undertaken a private study of the implications of a sudden large influx, is confident that it could be handled. On a smaller scale, more than 50,000 Ugandan Asians were efficiently airlifted out in six weeks following their expulsion by President Idi Amin in 1972. India, Canada, the US, Pakistan, Australia, New Zealand, Kenya and Malawi all helped as did temporary UN camps in other countries. It is in the interests of both China and the UK to create conditions in which the residents of Hong Kong want to stay. The MPs' visit has reminded the British Government that the assurances given

# No limits to travel

ERNEST BEVIN once said that he looked forward to the day when he could go to Victoria Station, without a passport, and buy a ticket to "where the 'ell he liked." A conference now going on in London could

be a step in that direction. The London Information Forum has its origins in the Helsinki Final Act, signed by all European states except Albania, plus the US and Canada, in 1975. The Act laid down the principles for security and co-operation in Europe: not economic co-operation, but also the greater freedom of movement of people and ideas.

By now, it probably requires some explanation. For, paradoxically, the signing of the Act marked the end of a period of detente rather than a new start. The early 1970s were distinguished by all sorts of East-West initiatives: the eastern policies of Chancellor Willy Brandt of West Germany, the four power agreement on Berlin and the treaty between the US and the Soviet Union limiting strategic nuclear weapons. Helsinki was part of the pat-

tern. By 1975, however, superpower relations were again going astray. Most of the East-West negotiations faltered for the next decade. Not until the mid-1980s, with the emergence of Mr Mikhail Gorbachev as the new Soviet leader, did the idea of seeking security and co-operation through diplomacy return to the top of the agenda. The most notable result so far has been the superpower agreement on the elimination of intermediate

### On the table

Meanwhile, the Helsinki Agreement, which is more of a nuts and bolts affair, remains on the table. There have been two follow-up conferences — in Madrid and Vienna — to review the progress so far and to explore ways of further cooperation. An offshoot is the London Forum, which is designed to reduce, if not eliminate, the obstacles to the free flow of information between, and within, the 35 countries countries which adhered to the

Those are ambitious objectives, which should not be obscured by saying that the conference is mainly about

journalists and the media. Ultimately the conference is about the freedom of movement of all journalists are simply the medium through which that process can be facilitated.

After formal opening statements by each delegation, the conference has devolved into working groups composed not only of diplomats, but also of journalists and historians. Having been given such a mandate to join the Helsinki pro-cess, it is up to the non-diplomats to reach for the sky.

### Divisions

That should be less difficult than it sounds. For it is already clear that the London Forum is not an old-style confrontation between East and West. Indeed the most telling divisions that have emerged are between the eastern countries. The Soviet Union has come down firmly on the side of glasnost or greater opens. With it are Poland and Hungary. On the other side are Bulgaria and Romania.

There is, however, a more insidious division within delegations. It is between those who stick to the bureaucratic approach and believe that no one should ask too much, and those who want the abolition of every possible restriction. The position of the Soviet Union is to some extent ambiguous. It wants a kind of Euro-pean journalists' club with a pean journalists' club with a membership card specifying privileges and responsibilities. It is far from certain that that would lead to a greater flow of information, including information that governments do not want released.

not want released. Yet the Soviets have at least taken an initiative. It is up to other countries to respond That response should be a call for no journalist's request for a visa to be delayed more than 24 hours, no restrictions to be placed on travel and for the visas to be available at all the embassies of the signatories of the Helsinki Agreement. It should also be left in no doubt that this is not just a privilege for the matter. for journalists. In the not-too-distant future, it should be a right for all citizens covered by the Final Act. To aim for anything less would be to reject the opportunity offered by the

# Charles Leadbeater on the reasons for the UK's wave of industrial disputes

he wave of industrial disputes currently gripping the UK conjures up memories of the "winter of discontent" in early 1979, which led to Mrs Thatcher's first election victory.

Is the confluence of these disputes merely a coincidence or are they underpinned by common features? Consider some of the most recent.

Last week a 24-hour strike brought London's underground to a half for

London's underground to a halt for the second time in just over two-weeks. Tube workers will soon vote on whether to take more sustained action over proposed changes to working practices.
Yesterday the BBC's news and cur-

restertay the bbc's news and chr-rent affairs programmes were dis-rupted by a strike. Today leaders of about 100,000 railway workers will decade whether to call a strike ballot over British Rail's final 7 per cent pay

offer.
Dockers leaders are proceeding with a strike ballot over the replace-ment of the national dock labour scheme, electricity workers are ballot-ing on their pay offer, leaders of about 800,000 engineering workers are plan-ning a series of selective strikes for later in the year and university lec-turers are planning not to mark

exams.

This wave of threatened industrial disruption comes in the wake of last autumn's postal strike, the extended dispute in the National Health Service and the tension at Jaguar, the Mid-lands luxury car manufacturer which teetered on the brink of a dispute at

the start of the year.

The comparison with 1979's winter of discontent is, however, exaggerated. Most of the current disputes are as yet only threatened. Some will almost certainly fail to materialise. Only the docks dispute and the NHS

revolt have clear political targets.

And the current unrest does not compare with other periods of indus-trial conflict during the Thatcher years, such as the 1984-85 miners' and dockers' strikes and the two years of

teachers' strikes.

None the less, while the current disputes are not as dramatic as previ-ous moments of conflict, they may be just as significant for the mediumterm development of industrial relations. The incomes policy dispute in 1979 was the classic type of late 1970s strike: rising inflation prompting unions to attempt to break through a Government incomes policy, designed to stabilise the macro-economy, in pursuit of higher pay. While the disputes in the late-1970s were about regulating the annual movement of a macro-economic machine, the arche-typal dispute of the late 1980s is about the micro-economy — setting the terms for a lasting transformation in the way organisations employ work-ers to compete more effectively in

their product markets.

In the late 1980s the disputes have been over reconstruction, which is the common thread that links the threatened disputes of 1989. Unions challenge employer proposals for funda-mental changes in working practices, terms and conditions and collective bargaining - all part of the micro-economy - to improve companies' and public sector organisations' performance in their product markets.

This contest over restructuring also explains why industrial action is likely to come in brief waves, concentrated in some sectors of the economy, and why this is not the first and unlikely the last such wave. For the conditions employers need to win far-reaching changes are becoming less favourable.

The docks dispute is the best example. Employers want to use the abolition of the national dock labour scheme, which has regulated most dock work since 1947, to introduce important changes in manning levels and to move from national to more

# Fighting over restructuring

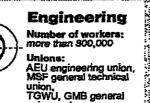
Britain in dispute

Docks

Transport and General Workers Union

issue: Abolition and replacement of national dock labour scheme

Position: National strike ballot likely to start later this week



union and EETPU electricians Rejection of two-year pay offer from Engineering Employers Federation, of 5.9 per cent a year

Unions to consider strike ballot for selective action this summ

localised collective bargaining.

The possible dispute in the electricthrough old manning arrangements for its cross channel ferries in the ity supply industry essentially stems from the union's desire to fire a warn-ing shot in advance of the industry's wake of imminent competition from the channel timnel. The NHS dispute was about a fundamental restructurimminent privatisation. The employers want to cut staffing levels, introing of nurses' pay; the postal strike was about the introduction to regional pay to ease recruitment shortages in a corporation which is

duce separate bargaining systems for each business division, some plant level bargaining, performance-relat-ed-pay, profit sharing and an employee involvement programme. British Rail has already told its unions that it plans to syran central. But why has the pressure apparently become more intense? Restructuring is much more likely to provoke disputes in the public sector than the unions that it plans to scrap central-ised bargaining in advance of privati-sation. It is also introducing perfor-mance-related pay as part of its drive to improve customer service. Univer-sity employers also want to scrap the private sector. The often cumbersome collective bargaining machinery of the public sector is far less able to accommodate big changes than private sector bargaining.

The integration of industrial relations into business strategies to service's old bargaining machinery

and introduce more merit pay.

The threatened disputes at London Underground and in the engineering industry are about important changes to working practices. London Under-ground wants to introduce more driver-only trains and to end the system of promotion by seniority. The engineering talks have faltered over the trade-off between the introduction of more flexible working practices, simpler collective bargaining procedures

Seen in this light the disputes appear linked to the strikes at the beginning of last year, and the disputes in the postal and health services in the autumn. The Ford Motor Company strike last year was about the trade-off between pay and fundamental changes to working practices
- away from the traditional production lines and towards work in flexihle teams led by blue-collar workers. The Dover seamen's dispute centred on P & O's determination to break



7 per cent final pay offer, changes to collective bargaining in run up to

Union leaders meet today to consider national strike ballo



Number of workers: 18,000 of 27,500 strong

National Union of Journalists, Beta

Issue: Corporation's final 7 per cent offer

attempting to become much more

improve customer service, for

instance, through the introduction of performance, merit or profit-related

pay, is more of a wrench for the pub-lic sector. This is not just a change to pay systems but part of a wider, trou-bling change of culture from an ethos

of public service to commercial com-

Thus several of the disputes in pros-

pect - especially rail and electricity - are linked to moves towards priva-

tisation or a further commercialising

Perhaps most importantly the pub-lic sector does not have the private

sector's resources to pay for long-term

restructuring, while at the same time

it constantly has to introduce special allowances in south-east England to

combat intense skill and staff short-

ages. The Post Office's attempts to reform collective bargaining and pay systems have been frequently dis-

petitiveness.

of services.

Position: Series of one day strikes planned

Universities

Final 6-7 per cent pay offer, including merit pay and employers' suspension of old bargaining machinery

7 per cent pay offer, in run up to privatisation

Result of industrial action ballot due May 8th

Union:

Electricity

Unions: EETPU, TGWU, GMB, AEU

Number of workers: 30,000 in dispute of 55,000 strong academic

Association of University Teachers

Number of workers: 70,000 manual worker

Ballot for examination boycott, union plans not to mark this summers' exams

rupted by the short-term conflicts produced by recruitment difficulties. Even when the public sector does have some money for long-term restructuring it is not necessarily effective. The public sector pay review body reports published earlier this year concluded that the restructuring of teachers and nurses' pay had done little to improve morale, recruit-ment or retention.

The possible coming wave of disputes has a momentum from both sides. From the employers' side it comes from a drive to maintain productivity gains by continuing to reform working practices. On the union side it comes from heightened pay expectations and greater confidence. The economic conditions for restructuring industrial relations has become much less favourable.

The mid-1980s provided a fairly clement climate for restructuring. Unions were still recovering from the blows of the recession and redundan-cies of the early 1980s. Low inflation, rising productivity and improved prof-itability in the mid 1980s provided companies with the stability, justifica-tion and resources to buy change.

The predictability of stable, low inflation has gone, at least temporar-ily. Two-year pay deals, which allow companies the time to introduce widespread changes to working practices, are much more difficult to conclude when inflation prospects are uncer-

Macro-economic instability is mak-ing bargaining more unpredictable. A tightening labour market is giving unions more confidence in pressuring employers. Sustained earnings growth of at least 7.5 per cent over most of the 1980s has created strong pay

expectations among workers.

Just as the economic conditions have become less favourable for employers so unions have become less constrained by the Government's industrial relations legislation.

Unions have become increasingly adept at using the legislation, which requires pre-strike ballots, as a tool in prepartiations.

requires pre-strike bands, as a text negotiations.
In the wake of the sequestration of the assets of the NGA print union, the National Union of Mineworkers and the National Union of Seamen during disputes, TCWU leaders have closely followed legal advice throughout their preparations for the dockers' ballot in a effort to ensure a strike is beyond an effort to ensure a strike is beyond legal challenge. Rail union leaders have been holding local meetings throughout the country over the last month in preparation for a ballot.

month in preparation for a ballot.
Indeed the Government is considering Issuing a formal code, which could significantly tighten up the legislation introduced in 1982. The need for a code suggests the deterrent effects of legislation introduced just seven years ago are wearing off.

As well as being more tactically adept, unions are showing some signs of more careful strategic planning about how they conduct disputes, what risks they are prepared to run and what they want from them.

The Association of University Teachers, for instance, has a ballot mandate for a complete boycott of examinations including setting papers

examinations including setting papers and supervising examination halls. But the union has scaled the action down to a ban on marking in an effort to maintain unity because it believes a split could lead to the union being

broken. Union leaders in electricity and rail Union leaders in electricity and rail see this as a crucial year to warn employers about contemplating radical changes in collective bargaining – changes which the unions fear could marginalise them.

Most strikingly, in the docks dispute, Mr Ron Todd, the TGWU's general company, has stronged the unions.

eral secretary, has steered the union away from an unwinnable strike in protest at the Government's plans to abolish the national dock labour scheme, into a dispute with the employers over a voluntary, collective agreement to replace the statutory It may still not take place, and if it

does the union may not win. But it has at least avoided assured disaster. This may stand as the epitaph for all these disputes. Unions may be in better shape to contest restructuring, thereby limiting or delaying it. But employers are still determined to drive for such changes. The tightening of the labour market in the early 1990s, with the decline in the number of young people, could gradually shift the balance of initiative toward the unions, but it has not happened yet. None the less, employers may find that — after a period when they have

heen in a strong position to buy or rush for change — they may now be robbed of the stability and predictabil-ity they need to embed the changes. Britain is still some way from a new industrial climate, in which disputes would be about regulating changed practices - profit sharing, performance-related pay, flexible working practices, decentralised bargaining - which had already been embedded. Until that transformation last few weeks are likely to continue - most conspicuously in those indus-tries where pressures for change are most firmly resisted.

• Note: The article on this page on Saturday April 22, on the rush to create global communications groups, omitted to ascribe joint authorship to James Buchan. The article was in fact written by Anatole Kaletsky and James Buchan.

בהרונה ובבונ

### The Czechs see red

■ Socialist brotherhood in

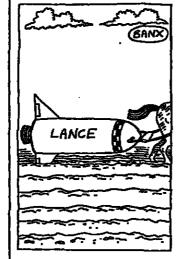
Eastern Europe is not what it used to be. Hungarian televi-sion, bent on using its newfound freedom to re-examine history, has managed to make the Czechs see red over an interview with Alexander Dubcek, the former leader con-demned to obscurity by his role in the 1968 Prague Spring. For a series on the future of Eastern Europe and communism, Hungarian television editor Andras Sugar went to interview Dubcek at his house

in Bratislava, Slovakia. There he found, to his surprise, Dubcek willing to speak out on the events of 1968 in considerable detail. Dubcek voiced disappointment that Janos Kadar, the Hungarian leader, failed to support him over the Soviet invasion. "I say with sorrow that I was hoping that in the end Kadar would say no (to the invasion)... or that Gomulka (the ex-Polish leader) would find the strength in him self. In my view Kadar and Gomulka ought to have done everything in their power (to prevent the invasion); they are the only ones who could have prevented this measure.

No sooner had the interview been broadcast than the Czechoslovak Foreign Ministry accused the Hungarians of interfering in Czech internal affairs and demanded further material be witheld from Hun-garian television. This protest garian television. This protest provoked an unprecedented riposte from Sugar via the columns of Uj Szo, the Hungarian language newspaper in Slovakia. "Your present government says that the larger interference with tanks in 1968 was right, something which the single legitimate Government single legitimate Government and Czechoslovak Communist Party of the time, the Czechoslovak people, and Uj Szo itself protested against", Sugar

Sugar then put in the boot: "So while that interference was OK, mine wasn't,

# **OBSERVER**



is that it? It seems to me that is that it? It seems to me that you only allow tanks to interfere with your internal affairs. My problem is that I don't have one . . . " Such a reply suggests Hungarian television will go ahead with plans to run the second part of the series tomorrow. Watch this space: the Czechs are bound to respond.

Aussie's best ■ One of Australia's fastest One of Australia's fastest growing and best connected investment banks, Whitlam Turnbull, popped up as an adviser to Ranks Hovis McDougall in yesterday's £1.3bn bid for Goodman Fielder Wattle. The bank is headed by two of Australia's rising stars -Nick Whitlam, a former chief of the State Bank of New South Wales and son of Gough Whitlam, the erstwhile Australian Prime Minister, and Malcolm

Turnbull, who poked enough holes in the British Government's case against Peter Wright, the author of Spy-catcher, to win a celebrated case in the Sydney courts.

Another director is Neville

Wran, former New South Wales Premier. The bank was formed in 1987 with finance from such leading lights as Kerry Packer and the late

Spy museum ■ Museums are mushrooming so fast in Britain's leisure cul-

ture there is a danger of over-kill. However, the Cheltenham Tourist Board has come up with an ingenious idea self: a museum of espionage. "We carried out informal soundings on Cheltenham's image and although our repu-

tation as a spa town was well known, we discovered a lot of people associated us with GCHQ, the government's top secret communications headquarters; and from this grew the idea of a museum about the spy business," says Peter Rollins of the Tourist Board. GCHQ has been in the news ever since an employee, Geoff-rey Prime, was found to be passing on to the Soviets sensi-tive information about British eavesdropping. This prompted the Government in 1984 to impose a controversial de-u-

nionisation of the staff.
The museum proposal has now gone through a feasability study and a council owned site, an old granary, has been ear-marked. "There are a few more stages to go yet but basically we feel if we can provide the building and then find a sponsor willing to put up about £750,000, the council will give the go ahead," Rollins

Baton down

■ The ever turbulent position of Herbert von Karajan as lifetime conductor of the Berlin Philharmonic was quietly ended yesterday when the 81 year-old maestro handed over a statement at his home in

Salzburg to the head of West Berlin's Culture Department, Dr Anke Martiny. "I ask you to take note of the fact that as of today I am ending my work as Artistic Director and Permanent Conductor of the Berlin Philharmonic Orches-tra" the message began. Dr Martiny said von Karajan's decision was taken for reasons of health and hoped he would

and the orchestra in a suitable The conductor, who has long suffered from a painful back ailment, has been able to conduct in recent years only while propped on a stool. Von Kara-jan's relationship with the orchestra proved increasingly controversial, especially after his selection of a woman to join the orchestra which was hitterly opposed by members. This in turn led to his boycott of the orchestra for several

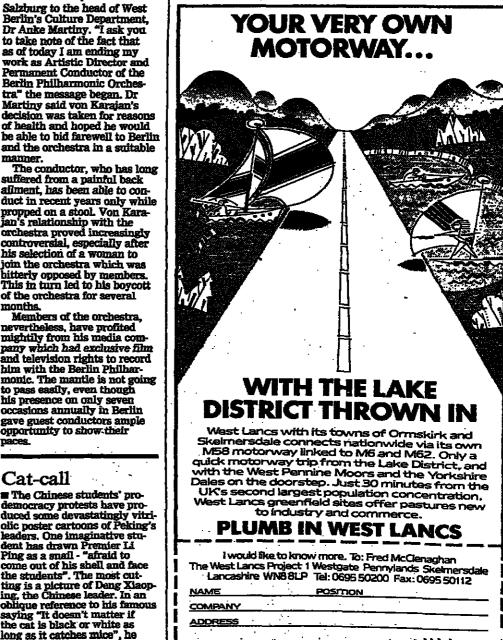
months.

Members of the orchestra, nevertheless, have profited mightily from his media company which had exclusive film and television rights to record bim with the Berlin Philharmonic. The mantle is not going to pass easily, even though his presence on only seven occasions annually in Berlin gave guest conductors ample opportunity to show their

Cat-call

■ The Chinese students' prodemocracy protests have produced some devastatingly vitri-olic poster cartoons of Peking's leaders. One imaginative stu-dent has drawn Premier Li Ping as a snail - "afraid to come out of his shell and face the students" The most cut. the students". The most cut-ting is a picture of Deng Xiaop ing, the Chinese leader. In an oblique reference to his famous saying "It doesn't matter if the cat is black or white as long as it catches mice", he is shown as a cat, strung up

Robert Graham



with the rest of the world

would thereby be impaired.

It is this liberal aspect of
EuroThatcherism which is
emphasised by the Bruges

Group, whose named members seem to be almost all academics, including high priests of neo-liberalism such as Lord Harris of High Cross and Prof Kenneth Minogue. Theirs is a senuinely interpational school

genuinely international school

of economic thought, and most of the continentals who turned

of the continentals who turned up at Bruges on Friday evidently belonged to it. But they of course have no truck with the nationalist aspects of Thatcherism, and some of them insisted even on dropping from the manifesto a proposed reference to the undesirability of submerging "the sovereignty of member states of the Community into some European political unit." They were quite happy to "reject the increasingly interventionist nature of

# **LETTERS**

### Democratic responsibility in the EC

From Mr Martyn Bond. Sir, Ian Davidson's percepsir, fall Davidson's perceptive article ("Strong tide carries Europe towards unity."

April 20) stopped short of the problem of democratic responsibility in an European Com-munity that that is moving towards economic and mone tary union. Such a move will indeed have "profound political consequences," one of which

will be to highlight the present democratic deficit in decisionmaking in the European Com-

European Parliament

From Lord Beaperbrook. Sir, I was more than a little surprised by an article written by your Parliamentary corre-spondent regarding Lord Young's handling of the Com-panies Bill in the House of Lords ('Companies Bill faux pas reflects on Young,' April

As the Department of Trade and Industry spokesman and whip in the last session, when I assisted Lord Young in the passage of the Intellectual Property Bill, perhaps I could explain the real situation. That bill, like the current planned trade missions. Since January, Lord Young has visited India, China and the United States, and often Companies Bill, was politically uncontroversial. It was also, again like the Companies Bill,

immensely complex. This has two results. First, the Bill is inevitably subject to some redrafting while in the House of Lords and the House of Commons. This does not mean that the Bill was in any sense sloppily drafted in the first place, but that the Government is listen-

### Hostility wins

ing to comments from inside

From Mr Paul Spencer. Sir, The debate organised by the Association of Corporate Treasurers at the Bank of England was not on the argument that the threat of hostile takeovers is the only way to keep companies efficient (Letters, April 12), but on the motion that hostile takeovers tend to be bad for industry. Neither Sir James Goldsmith

nor Martin Taylor, its opposers, nor any other speakers, advocated that hostile takeovers were the only way to keep companies efficient.
There are, of course, many

### Principle may cut two ways

From Mr Stanley Alderson.

Sir, You report (April 17) that the 60-strong council of Practitioners has rejected the white paper, "Working for Patients," by 59 votes to one. In the national bealth ser vice, GPs would be expected to meet budgetary targets, or else face proportionate financial penalties. In the interests of a healthy economy, do members of the Government also accept

this principle?
Thus, if the Chancellor of the Exchequer's budgetary tarrate, international deficit, level of consumer spending, or whatever - can we expect that Government ministers will collectively take proportionate cuts in ministerial salaries? Stanley Alderson, 7 Highfield Avenue, Cambridge

4

The Single European Act has partially empowered the European Parliament in respect of the bulk of legislation linked to the 1992 programme. As progress in that economic direction becomes irreversible, so the need for more progress on the political and constitutional level will become more pressing. The European Parliament will more and more become a As national parliaments discover themselves increasingly unable to scrutinise the volume of proposed EC legisla-tion, it becomes increasingly clear that their role in this will have to be subsumed by the

### The Companies Bill in the House of Lords

and outside Parliament, and responding to them.
Second, given the politically uncontroversial nature of the Bill, the whips have considerable freedom to move it around the Parliamentary schedule to enable them to secure the passage of more controversial leg-

I know from my many con-versations with Lord Young about the current Companies Bill that this rescheduling has often led to clashes with long-

the revised dates for the committee and report stages of the Bill have coincided with these visits. In these circumstances should long-standing invitations from foreign govern-ments be cancelled at short

I know that Lord Young has found these decisions most difficult but, sharing your confidence in Lord Strathclyde, he has felt able to delegate, partic-

by companies every day. For

the proposition, Sir John Har-vey-Jones discussed the differ-

ences between the UK/US

systems and the Japanese/German systems, and questions of

However, at the end of this well-fought debate, a houseful of leading UK industrialists

and representatives of the City

overwhelmingly voted that

hostile takeovers are a very necessary part of the system.

The Association of Corporate

Treasurers, City Innovation Centre,

26-31 Whiskin Street, EC1

THE LOWER FLOORS

Taken at the flood

OF COURSE

technological innovation.

ularly on the occasion when debate was scheduled for the same period as the visit of Mr Gorbachev (Lord Young was committed to talks with him committed to talks with him and his industry minister).

The general premise of your article is therefore quite wrong. But you also made one further assertion which was deeply offensive.

To suggest that the collapse of business on Thursday was estributable to Lord Young's

attributable to Lord Young's absence is to demonstrate a misunderstanding about the different roles of the whips and ministers.

It also makes no allowance for the fact that on this occasion, Lord Young was unable to be in the House after about 6.00pm, as it was Passover. This of course applied to many Jewish peers and substantially increased the difficulty of keep-ing adequate numbers present to secure the passage of the Bill on that evening.

Beaverbrook, House of Lords, Westminster,

### Battle for BMP

From Mr John Banks. Sir, Boase Massimi Pollitt (BMP) is still questioning April 21) whether Young & Rubican, a private advertising agency, has an interest in BDDP, a Paris-based group trying to purchase BMP. As you correctly reported, Young & Rubican has no finan-

cial stake in BDDP. Young & Rubican France once owned a majority share in a second agency called Snip. When Mr Jean Claude Boulet decided to leave Y&R it was on very good terms, and we agreed to sell him and his partners our interest in Snip as a

base for them to build a new agency. The company's name was changed to BDDP. This

co-legislator with the Council of Ministers.

June already give the elector-ate across the whole European

Community a chance to express their views on just

Head of Information Office, European Parliament, 2 Queen Anne's Gate, SW1

such a development. Martyn Bond,

Harsh light

From Mr Peter Kreamer.

Sir, None of the 20 private generators mentioned by Mr

Michael Spicer, the junior Energy Minister (FT, April 11), will go forward without a long term contract from a potential

customer for electricity.

Assuming this is obtained from an area board company, the quantity involved will be a

small percentage of the cus-tomer's peak demands. It will

nevertheless reduce the total

anticipated sales of one of the bulk suppliers. The bulk sup-pliers will then raise rates to

compensate for loss of sales, to cover their high fixed costs.

competition, in a product you

cannot store, to meet peaks in

demand. If you squeeze him,

the bulk supplier will switch you off. Mr Spicer should ask Mr Edward Heath what hap-

39 Bell Lane, Eton Wick,

pens next. Peter Kreamer

You cannot have effective

on costs

The European elections this

was in 1984.

The deal was in two steps. Initially Mr Boulet bought 60 per cent, with the option to buy the balance by the end of the year. He exercised that option in full. Since this took ace in 1984, neither Young & Rubican nor any of its compa-nies or subsidiaries have any financial interest whatsoever in BDDP.

John Banks Young & Rubican, Greater London House, Hampstead Road, NW1

### Move it by tube SER LEVEL

From Mr D.A. Coggrave. Sir, Building more roads for London seems to result only in more room for longer jams. At tímes when roads are reiatively clear of traffic, the weight of goods vehicles is restricted (or vehicles banned) for environmental reasons.

Between midnight and 6am the London underground system is almost unused. At other times, except during the rush hour, there is spare capacity on many lines. Has anyone ever contemplated moving freight on this system?

Suitable containers to run on purpose built bogies could be constructed. Getting the containers to the surface would require expensive engineering work, but if new lines are to be built, this is a feature which might be worth consideration. D.A. Coggrave, 23 Wentworth Park, N3

### From Mr John Anderson. Sir. With reference to Observer's comment ("High Water," April 12) on the disadvantageous effects of rising sea levels, it may interest you to know that already this year our property search depart. the "greenhouse effect." The clients concerned seem to be quite serious. John Anderson, our property search depart-ment has had two requests to Relocation Management Associ-

46-47 Pall Mall, SW1

Sir, There were some mis-conceptions about the future conceptions about the luture role of the Central Statistical Office (CSO) in the letter from Mr J.L.T. Davies (April 13).

It is true that the CSO will have more people and money in future, but this is being achieved by transferring work on economic statistics from the Danartment of Trade and Department of Trade and Industry and the Department of Employment. There will be ittle change in the overall

However, the transfer will bring under one management much of the work of compiling macro-economic statistics, together with the associated business surveys, so that priorities and problems of the national accounts can be tackled in a more co-ordinated and

find commercial properties

effective way.
The new CSO will have no greater powers to compel private industry to report information than the constituent parts of Government formerly carrying out these functions.

There are no plans for an internal systems for providing aggregate statistics for the nation. The purposes and concepts of macro-economic accounting are necessarily different from the management greater powers to compel pri-vate industry to report infor-mation than the constituent parts of Government formerly

'The CSO will have no greater powers to demand information' increase in the overall volume of data collected from business surveys, although increased flexibility in the new organisa-tion could well mean decreasing statistical reporting in some parts of the economy and increasing it in others.

which should be at least 60 feet

above present mean sea level, to avoid the consequences of

I was interested in Mr Davies' ideas about using firms' management informainformation systems of individual firms and organisations. Moreover, it is arguable whether there is much standar-disation in the internal information systems of the various

organisations which contribute to our surveys. However, Mr Davies' ideas are worth exploring. I hope he will be able to let me have examples of what he has in

J. Hibbert, Director, Central Statistical Office, Cabinet Office,

# The UK deficit in manufactured goods must be tackled

From Sir John Collygar.

Sir, The large and persistent balance of payments deficit in manufactured goods is one of the few economic problems that this Government's otherwise successful policies have tailed to solve. failed to solve.
Clearly we cannot expect to

Government resources devoted to this work.

have a continuing surplus in all the various sectors of a complex economy like the UK's. From time to time fac-tors external to our own economy will affect them, some-times favourably and sometimes unfavourably. But the deficit in manufac-

tured goods (particularly high technology goods) is an endemic and growing problem. If this is not tackled in an effective, lasting way, the UK will be left economically very

will be left economically very vulnerable when other sources of surplus are in difficulty.

It is a dangerous mistake to assume that lik lack of cost competitiveness can be solved (other than by temporary respite) by concentrating on holding down wage rates or wishing for a chedger curwishing for a cheaper cur-

rency. UK labour wage rates, including "fringes," are low by comparison with our important competitors, even at current

competitors, even at current exchange rates.

It is also illusory to imagine that a further decline in the UK belance of payments will, by weakening sterling, immediately produce a favourable lasting response from our manufacturing industry. The experience of the last 20 years makes the point. High technology industries are not created overnight. They need long term commitment and investment — particularly intangible investment.

Our lack of effectiveness is deep seated. The principal cause is our failure to engicause is our faintre to engineer, properly, UK products in a way that provides attractive, functionally competent designs associated with manufacturing technology which ensures quality and market satisfaction with profit. Pursuit of this objective requires a big increase in the funds devetopment to research and development to research and development (R&D).

As a former chairman of the Technology Requirements Board I have had some close-hand experience of Government attempts to stimulate industrial R&D by the use of grants. While they have been of some benefit, they really have not made a basic change to the way in which a large proportion of manufacturing industry invests in developindustry invests in develop-ment. Shortage of cash is not usually the problem — it is the short term effect on the "bot-

tom line."
Public limited companies in the UK operate in a financial climate which encourages short term results to be para-mount. This comes in part from the highly institutional-ised shareholding structure. which performs through fund managers who are themselves often judged on short term

They must not be blamed and badgered. They react to the climate. Better communica-tion between industry and the City, although beneficial, is not the solution, nor is exhorta-

tion. Industrial and investment managers have to behave in the climate they are in. Change the climate and they will

change.
The financial climatic changes needed will have succeeded when the value decisions of shareholders take sions of shareholders take more account of intangible investment for the future. (Publishing R&D expenditure would help a little). In addition, the framework for take overs needs adjusting, so that managers are not inhibited from increasing R&D expenditure (and, hence, reducing immediate profitability) by the fear that a predator can step in fear that a predator can step in and reap profit rewards both by enjoying the benefits from that investment, and by subsequently reducing R&D expendi-ture. It is as if, for a Government, the Opposition can call a general election at any time. Debate on the financial climate changes needed is long

John Collyear, Wahut Tree House, Nether Westcote, Oxfordshire.

### FOREIGN AFFAIRS

# Liberalism versus nationalism

Edward Mortimer explores the contradictions in Mrs Thatcher's alternative European vision

Edward Heath. I cannot actually reverse it, or at least not now; so I will get what advantage I can out of it to compensate for the disadvantages. But I will do my damnedest to see that Britain doesn't get any further entangled in this Eurononsense than absolutely nec-

rs Thatcher was presumably gratified by the formation of the Bruges Group to support the ideas she put forward in her speech at Bruges last September, and was probably delighted to hear that it was to hold its "international laureby"

bold its "international launch" in Bruges in the week follow-ing the publication of the Delors Report on economic and

monetary union. The report was obviously going to contain more of the European federalist ideas on which she has

declared war. How convenient therefore, to have it immedi-

ately countered by a demon-stration of pan-European sup-

port for her alternative European vision.

In the event, however, the attempt to turn Thatcherism into EuroThatcherism exposed

a central contradiction: between liberalism and nation-

alism; between the glorifica-

tion of market forces and "bat-ting for Britain"; between "rolling back the frontiers of

the state" and making a fetish of national sovereignty. Of course liberalism and

nationalism are not strangers

to each other historically. They

were allies throughout the 19th century, exalting the rights of "the people" or "the nation" (often interchangeable terms) against those of absolutist

regimes and dynastic or colo-nial empires. But they were bound to part company once

nationalism had triumphed and states became, almost by

definition, nation-states, so

that state control was equated with "nationalisation". Liberal-

ism nowadays, in defending

the autonomy of individuals

against interference from

authorities claiming to repre-

sent the collective interest of the group, finds that the group in question is most often the

Perhaps that is going to change. Perhaps in the course

of the next century we shall see the nation-state replaced

by a supranational entity. In

that case the nationalisms cur-

rently identified with nation-states might again make com-

mon cause with liberalism. If so, EuroThatcherism is an idea

way ahead of its time. Mean-while, it is caught between two

possible readings of the Bruges

most headlines was the nationalist or "Gaullist" one. This

reading assumes that all the

polite remarks about Europe in

the speech were simply sugar on the pill, probably added by the Foreign Office, and that

the underlying message was

anti-European. According to this version one should read

between the lines: "British

membership of the Community

is one of the many ghastly mis-takes inherited from my pseu-

do-conservative predecessor,

The reading which caught

That version still finds an echo in the gut feelings of many ordinary British people, though probably a decreasing proportion. It also conforms to the public image of Mrs Thatcher not only in Britain but abroad, where naturally it is her resolute, bloody-minded defence of British national one of them, Prof Pascal Salin. "In my country she has a very bad image."
The other reading of the

speech takes the Euro-rhetoric in it seriously, and interprets it as a bid to make Thatcherism the economic creed of Europe. This is the interpretation favoured by the French Prime Minister, Mr Michel Rocard, who is a socialist, albeit a very modern-minded and pragmatic one. Mr Rocard came to London in January to warn us against supposing that any one country could impose its economic doctrine on the Community, which is clearly what he sees Mrs Thatcher as trying to

### Alas, 'rolling back the frontiers of the state' conflicts with 'batting for Britain'

interests that attracts attention. It does find an echo in some other European countries, especially France of course. But an echo in that context is not quite the same as support, since nationalism of this variety emphasises con-flict between the interests of one nation-state and another. De Gaulle always professed to admire Britain's skill in promoting its national interest, but he believed French national interest required him to stand up to it. So while Mrs Thatcher may have admirers of a grudging sort in France today, she has virtually no supporters; and even some of those notvery-representative Frenchmen who turned up at Bruges on Friday were anxious to dissociate the enterprise from her name as far as possible. "It is difficult for a French politician to support a position supported by Mrs Thatcher," explained

do; and he reverted to the theme in his TV interview last Thursday. He feared, he said, that Mrs Thatcher's vision of Europe was "a jungle, a house with the windows wide open to all the winds, where there is no pilot in the plane" (evidently a jungle of metaphors too). The other vision, which he himself preferred, was "a piloted Europe, a Europe of free trade and economic competition of course. But one where there are some rules of the game." Mr Rocard, in other words, sees exactly the things wrong with Thatcher's Europe that the opposition parties see wrong with Thatcher's Britain: market forces, which are healthy and necessary in their place, would be allowed to run

wild, instead of being properly

regulated by collective authority, and the Community's abil-

ity to stand up for itself in

competition and argument

ingly interventionist nature of European Commission directives that are being proposed through the misinterpretation of the Single European Act," but some of them seem also to have been aware that the present Commission is not as inter-ventionist as all that and that much of their manifesto would win its hearty endorsement. The fact is, as any American constitutional historian could tell you, that federalists and liberals are natural allies. Federalism is a thoroughly whig-gish idea: it involves sharing out power between different levels of authority so that each acts as a check or balance against the others. Mrs Thatcher and Mr Lawson dis-like European federalism because it implies a check on the authority of the nation-state which they are in charge of. That is the very reason why liberals should be, and increas-ingly are, in favour of it until that far-off day when the balance of power shifts in favour of the federal authorities against the national ones. The trouble with European federalism, in the form it is currently developing, is the famous "democratic deficit": power at the Community level s exercised either bureaucratically by the Commission or, in most significant cases, by bargaining among national governments. The Commission is at least theoretically accountable to the European parliament. The national governments are individually accountable to their respective

national parliaments, but not

collectively accountable to any-

one. That enables them to gov-

ern the Community in a more

arbitrary and authoritarian

way than they can get away

with in governing their respec-tive countries. Genuine Euro-

pean liberals should focus their

attention on that problem -but there, I fear, they will not

find Mrs Thatcher an ally.

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# FINANCIAL TIMES

Tuesday April 25 1989

TROLLOPE & COLLS REFURBISHMENT FITTING OUT MAINTENANCE 01-377 2500

# EC moves to co-ordinate policy on Eastern Europe

By David Buchan in Luxembourg

EC foreign ministers yesterday formally suspended economic co-operation talks with Romania, but at the same time held out to Poland the prospect of a quick and relatively generous trade accord with the Com-

vey political reward or penalty signalled yesterday's launch of a new "global, consistent and dynamic approach" by the Community towards Eastern

Europe. EC ministers concluded that fast-moving events in Eastern Europe required a special degree of policy co-ordination. Normally, foreign ministers of the Twelve keep so-called political co-operation out of the strict Community context and

decided by ministers but car-ried out by the European Com-

But ministers agreed to blur this distinction in the interest of making the Community more rapidly responsive to what is happening in the East, and of maintaining a "differen-tiated" approach between countries such as Poland and the Soviet Union, which are making democratic strides, and Romania, where President

Romania, where President Nicolae Ceausescu has, if any-thing, increased repression in recent years.

The EC Council said that, following the government-op-position "round-table" agree-ments in Warsaw, it wanted to make "a constructive contribu-

tion" to Polish reform.
The ministers said they

for an EC-Polish trade and co- as next month.

operation accord.

Mrs Lynda Chalker, the junior UK Foreign Office Min-ister, said the EC should do what it could to underpin Polish reform.

porting a more active EC policy towards the East, was for

of dissent and forced relocation of peasants became worse in The push for a more co-ordinated and higher-profile Com-munity stance towards the

While the council wants talks with Warsaw and Moscow put on a fast track, it formally derailed a current, although desultory, set of negotiations with Bucharest because of Romania's failure to the control of the contr by Mr Leo Tindemans, the Bel-gian Foreign Minister. For several months, their

pleas have fallen on deaf ears, with several countries particularly irritated by Mr Delors' call for co-ordination of the terms on which the Twelve offer export credit to the East. This is already regulated within the Organisation for Economic Co-Operation and

Development.

But rapid political developments have evidently persuaded countries such as the UK and France of the need for better co-ordination, even if that means some Commission encroachment into the area of East-West political relations

incentive to smuggle. A similar facility is available for non-tra-ditional exports such as beans,

cocoa and spices.

On the industrial front, donors are providing foreign

exchange for machinery and spare parts to get the factories

working at above 20 per cent capacity, including state-owned industries, some of which are being privatised.

"You are seeing the winds of change in favour of the private

sector," enthuses Mr Chotub-hai Somai who in March took over four government-con-

trolled companies, on the

island of Zanzibar, that had been dormant for three years.

maintained, Tanzania will be eligible for an enhanced struc-

tural adjustment facility from the IMF, which offers conces-sional interest rates and lon-

ger-term repayment. Yet Tanzania still faces for-midable problems.

With a current account defi-

cit of \$800m last year, Tanzania will be heavily reliant on

donors for years to come. Only

with donor funding for essen-

If the reform programme is

### Standing Goodman on its head East has been led by Mr Jac-ques Delors, the Commission President, and, in the council,

In turning the tables on Goodman Fielder, RHM has presented the markets with a genuine puzzle. The first reac-tion was to see the hid as a manocuvre to put pressure on Goodman's holding in RHM. There will be that aspect to it, but it also seems clear that RHM is seriously interested in owning Goodman outright. This is not wholly inconsistent with having rejected the pro-posal the other way round. It was RHM's contention that the chief flaw in the Goodman pro-posal was its gearing: this time, the cash is to come from the underwriters.

The bid's chances seem to depend largely on two individ-uals: Mr John Elliott of Elders, and - most crucially - on Mr Pat Goodman. Mr Elliott's views are not yet known, but he holds 12 per cent of Good-man, and if he chose could raise pointed questions with the Australian authorities on the question of takeover reciprocity with the UK. And indeed, given the presence of AB Foods in Australia, the proposed bid would mean more than half of the Australian bread market coming under

British control. As for Mr Goodman, his 29.9 per cent stake in RHM, plus whatever is still with the arbitrageurs, could make it tricky for RHM to gain majority agreement from its own shareholders. Goodman's response so far has been muted, though that might just be the result of the bid being sprung between the weekend and Anzac Day. But its position is weakened by its costly and apparently unsa-leable holding in RHM; and though there may be little prospect of an increased offer.

There remains the question of whether it is desirable. RHM knows Goodman's products and markets, and is not the only food company to find Aus-tralasia and the Far East the most interesting part of the world at present. But the risks involved in such a transcontinental merger are huge, and the price for a company with flat to declining earnings is scarcely cheap. Yesterday's sub-underwriting is said to have gone smoothly, but that could mean several things: if the institutions think the deal will never happen, the 0.5 per cent fee they get in any case is money for old rope.

Tootal When it comes to Tootal, the market has better things to think about than last year's

profits. In fact yesterday's results just made it into the range of reasonable expectation, with the hidden depressant of perhaps £5m in excep-tional costs included to make things look that much worse. But that was scarcely likely to upset a market whose imagina-tion has been captivated by the prospect of a bid from Mr Abe Goldberg; rather, Tootal's restraint was taken as proof of the imminent commencement of hostilities. The market reasoned that the company had no motive for underwhelming investors now unless it was the prospect of overwhelming them when it really counts; and there seems little reason to

RHM
To the FT-A
All-Share Index

fault that logic. Nobody believes Mr Goldberg will be happy contemplating his 24 per cent of the company forever, and the weight of precedent oggests a bid. Shareholders had better hope Mr Goldberg does just that, as the shares' 20 per cent premium to the sector average multiple cannot be justified on any other grounds. True, Tootal's textile businesses seem to

be turning in a far more creditable performance than those of the hapless Coats Viyella, or even those of the less wretched Courtanids. And as long as Tootal's thread can be counted on to make it through the eye of the needle every time, the company will have lots of cash to invest in higher growth businesses. However, the first of its attempts to do so has proved the risks of such a statement of the second of the risks of such a statement when the second of the risks of such a statement when the second of the risks of such as the risks of such as the second of the risks of such as the second of the risks of such as the risks strategy. The office supplies division lost money for Tootal last year, and though this year should reverse that trend, it is scarcely the stuff of optimism

Hoffmann-La Roche

for the future.

A share split, a modest rights issue, and the establish-

ment of a notting company may count as hig news on the Swiss market, but surely not hig enough to warrant the three day suspension in Hoffmann-La Roche's shares. Indeed, when it comes to keeping shareholders informed, Swiss companies do not seen Swiss companies do not seem able to get it right. Nestle upset the entire market by making a fundamental change to its share values last year without any prior warning, while Roche has gone to the other extreme in giving big

advance billing to a workaday capital restructuring.

The market, which over the weekend had imagined the company poised to buy half the US pharmaceuticals industry, persisted yesterday in reading more into the announcement than it deserved. In fact, Roche's move reveals no more about its intentions than was already known: that at some stage it might make an acquisi-

tion in the US.

Meanwhile, it is genuinely remarkable that a big, modern company like Roche could have lived for so long with such an unaccommodating such an unaccommodating share structure. The company's nominal capial of SFr 50,000 was so low that it was barred both from a main stock exchange listing and from making any ordinary share issues. Its share price of about SFr 240,000 was scarcely an inducement to a liquid market in the shares and its two-tler in the shares; and its two-tier share structure was an anachronism. In theory, Roche can now make a huge acquisition for shares, but yesterday's small capital raising exercise was an odd prelude to the rectile his one that the market really big one that the market is waiting for.

### Local authorities

The British Government is evidently in no hurry to explain the legislative niceties of commercial lending to local councils, and everyone else has gone underground until the Hammersmith council test case is heard. It is therefore not sur-prising that the banks, which are losing more money by the day, have decided to force the whole thing towards a crisis in order to break the deadlock. While the unpronounceable Ogwr council may have some unprintable thoughts on such an apparently drastic action, it cannot really claim to have been harshly treated. Indeed, the banks have actually been a model of patience so far: any other defaulting borrower would have received its termination notices a long time ago.

Such marked use of eco-nomic carrot and stick to con-

quite separate from EC commercial policy, which is

MPLEMENTING economic reform in Tanzania is rather like travelling along one of Dar-es-Salaam's pot-

one of Dares Salaam's por-holed roads. Progress is slow, you swerve a great deal, and occasionally end up in a rut. Among the objectives of the Government's reform pro-gramme is the revival of the private sector and a reduction

in the number of state-owned

Yet this month the Govern-

ment decided to withdraw

licences from six private com-panies that were to brew beer

in competition with the state company, which has monopol-ised the industry since 1967.

the year of the Arusha declara-

tion which committed Tanza-nia to socialism. Meanwhile,

nationwide shortages have sent beer prices up to three times their official level.

This pothole notwithstand-

ing, Tanzania is travelling down the road of structural

adjustment, encouraged and supported by the World Bank and the International Mone-

The process began somewhat

cautiously five years ago when

Mr Ali Hassan Mwinyi suc-

ceeded Mr Julius Nyerere as

President, but has since been

IMF agreement in August 1986.

The Fund's endorsement of

economic policies opened the way for a \$2.4bn Western gov-

ernment aid package in sup-

port of a three-year recovery

devalued, price controls lifted,

agricultural producer prices raised, and a larger role given to the private sector. But back-

ing for the changes has not

been unanimous. Orthodox socialists led by Mr Nyerere

who stayed on as chairman

of the ruling party, Chama Cha

The Tanzanian shilling was

Reforms accelerated after an

tary Fund.

gathering pace.

programme.

mission in Brussels.

wanted a rapid conclusion to negotiations begun last month

Reforms backed

by the IMF and

World Bank are

after years of

reports Aidan

stagnation,

Hartley

Tanzania Real GDP growth (%)

have gone too far.

delivering growth

President Ali Hassan Mwinyt: aiming to reduce the number

of state-owned companies and

1983 84 85 86 87 88

Last year, for example, Mr Nyerere singled out trade liber-

alisation for harsh criticism.

Importers can now use money held overseas, even illegally, to bring in goods. This trade may

account for \$250m a year, according to the World Bank.

Mr Nyerere, however, argued

that the measure promoted smuggling, and claimed most

of the goods were luxuries that

revive the private sector

A suggestion by the UK, which, like France, has swung in the past year towards sup-

training in EC countries for Polish managers.

"This would be of real bene-fit to Polish industry, precisely during the most difficult early stages of modernisation, and could be given in advance of a trade agreement," she said. Negotiations with Poland

might be wrapped up in June, according to Commission offi-cials, who also said they might get a council mandate for talks with the Soviet Union as early

Debt service ratio (%)

1982 83 84 85 86 87

dliners in the ruling party also

opposed further changes, which included an end to the

monopoly of state-owned mar-

keting boards over purchases of food and export crops, and an additional 22 per cent deval-

uation of the Tanzania shilling.

within government over the merits of these and other steps held up drawings on an IMF

structural adjustment loan

For six months a debate

Tanzania on a potholed road to recovery worth \$39m in total, as well as \$800m of donor funds contin-gent on implementation of the

meet its human rights commit-ments under the Conference on

mens under the conterence on Security and Co-Operation in Europe (CSCE).

In fact, the last formal talks on Romania's request for an economic co-operation agree-ment (it has had a simple trade deal with the EC since 1980)

EC ministers warned of "fur-ther action" if the suppression

took place in autumn 1987.

gent on implementation of the reform package.

Mr Mwinyi apparently swing the party vote in October – having won Mr Nyerere's tacit approval – and ushered in the required changes. Most powers of the marketing boards will be devolved to farmers' co-operatives, and the devaluation went ahead in November.

Western creditors responded

Western creditors responded by rescheduling some of Tanzania's \$5bn external debt at a meeting last December of the Paris Club of official creditors, cutting its 1989 debt service

obligations of \$330m by half. The reforms, say most economists, are working. Real growth is expected to reach 4 per cent in 1988-89, compared with years of negative growth in the early 1980s.

Last week, Mr Mwinyi showed that he was deter-

mined to press ahead, launch-ing a \$1.3hn five-year develop-ment plan which aims to raise gross domestic product growth to 6 per cent a year by 1992-93. Exports which rose 8 per cent in the first year of the economic recovery programme to \$388m in 1987-88, are budgeted to rise to \$681m by 1992-93.

Reviewing the progress of the past few years, the Presi-dent told Parliament: "Problems are still there but what is emerging is that our efforts are not for nothing."

The reforms are having their greatest impact in the agricultural sector, mainly due to the response to incentives by farmers who produce the important export crops: coffee, cotton, sisal, tea, cashews and tobacco.

The mining sector is also picking up. An offer to gold and gem dealers to keep 70 per cent of their profits in foreign exchange is reducing the exchange is reducing the

tial items such as spare parts and machinery can the Gov-ernment hope to sustain a small but steady growth in imports, from \$1.2bn in 1987-88 to \$1.4bn in 1992-93.
A sustained recovery will

also be dependent on a flour-ishing private sector, assisted by new foreign investment. Yet businessmen are still waiting for an investment code But perhaps the greatest obstacle to economic recovery is the dilapidated road and rail infrastructure which has left thousands of tonnes of crops stranded in the vast interior. A 10-year. \$500m road repair programme is getting under way. In the meantime the business community is keeping a sharp eye open for potholes.

### Khomeini opens way for political reform

UK moves to tighten airport security

Mapinduzi after handing on few Tanzanians could afford.

the presidency to Mr Mwinyi in 1985 – often claim reforms For a while the reform pro-cess seemed in jeopardy. Har-

By Victor Mallet, Middle East Correspondent, in London

AYATOLLAH Ruhollah homeini, the Iranian leader, yesterday appointed a commit-tee to revise the country's constitution, opening the way for an eventual resolution of the tinue to plague Iranian politics. Avatollah Khomeini told President Ali Khamenel in a letter that the 20-man committee should finish its work within two months so that the revised constitution could be put to a referendum. Tehran Radio reported.

By Lynton McLain in London

FURTHER MOVES to improve

airport security in the wake of the bombing of the Pan-Am airliner, which killed 274 peo-

ple when it blew up over Lock-

erbie in Scotland, were announced by Mr Paul Chan-

non, the British Transport Sec-

retary, yesterday. He told the House of Com-

mons that he would be seeking

increased statutory powers to

force companies operating at airports to tighten up security.
In addition, Mr Channon

since Ayatollah Hossein Ali Montazeri was forced to resign in March as designated successor to Ayatollah Khomeini, now 36 years old. Many people have been arrested and there were clashes between support-ers and opponents of Montazeri in his home town of Najafabad.
Ayatollah Khomeini was
quoted as saying that the new
committee would focus on the centralisation of executive and judicial powers, the reform of the state media and the size of

sald, airports and airlines were

• Ensure closer examination

of all items taken on aircraft

such as radios and computers

Screen all hold baggage on

flights deemed to be at higher risk.

• Tighten security require-

ments for cargo, mail and cou-

Achieve better separation of inbound and outbound passen-

rier consignments.

which could conceal bombs.

being told to:

parliament. The formation of the com-mittee could favour Hojatoles-lam Ali Akbar Hashemi Rafsanjani, the relatively pragmatic Speaker of the Iranian Parliament and acting armed forces chief who has been nominated as a presiden-tial candidate for elections in August, particularly if it dis-cusses proposals to eliminate the post of prime minister and give the president more power. Rafsanjani was among those appointed to the committee,

gers. Mr Channon said this

might require structural alter-ations, or equivalent safe-

• Change the construction of

aircraft interiors to make it

harder to hide weapons and

explosives and to make them

In addition, he announced

that the Transport Department's Aviation Security Divi-

sion would be doubled to 16

people to become an Aviation

easier to search.

along with President Khame-nel and Prime Minister Mir-Hossein Mousavi, while Mr Ali Akbar Mohtashemi, the hard-Akoar Montashemi, the hard-line Minister of the Interior, was noticeable by his absence. Rafsanjani appears to have returned to the political fray after keeping his head below the parapet at the time of Aya-tollah Montazeri's resignation, and it was he who announced on Friday that senior Iranian

on Friday that senior Iranian officials and military officers had been arrested on charges of spying for the US.

Security Inspectorate respons

ble for annual visits to airports

to check security.
The Department was also to

double its spending on security equipment research and devel-

opoment this year to £1m (\$1.71m).

The new powers being sought by Mr Channon would extend his current ability to

issue directives to airlines and

airport managements to other

# Continued from Page 1

At the weekend, the staff of

sity. Foreign journalists were

New demands, calling for guaranteed human rights, an

on strike." on strike."

In Peking, the boycott seems to have been 90 per cent effective. In other parts of China student leaders said the strike had also been observed, though less scrupplously.

Amnesty report.

would not publish their account of student demonstrations. They published their stories independently and dis-played them at Peking Univer-

denied entry to Qinghua University, but had no trouble entering the nearby Peking University, where the quadrangle was covered in posters criticising the Government.

guaranteed human rights, an end to the dominance of the Communist Party, the release of political prisoners, and separation of state and legal powers, had gone up overnight. Students feverishly copied posters which conveyed messages such as "The people's prime minister (Li Peng) is afraid of the people," and "Go on strike."

a Government-ran magazine, The Journal of Science and Technology, were reported to have walked out after officials

Amnesty report, Page 4

### Elite colleges in Chinese unrest

### NEWS REVIEW **BUSINESS** Cassini mission to Saturn

LABEN ISC SpA, Ferranti International space and nuclear systems specialist, has commenced testing the expert system which will provide the intelligence for a fully autonomous probe to be carried on the Cassini expedition to Sature.

ried on the Cassini expedition to Saturn.
The Cassini mission, one of the most important in the joint ESA/NASA programme, is to send a probe to the 'ringed planet'. It will drop, by parachute, a smaller atmospheric probe onto the surface of litan, the largest of Saturn's moons, to investigate the physical and chemical characteristics of litan's atmosphere.

### **Brighter nights**

The Electro-optics Division of Ferranti Defence Systems, Edinburgh, has secured a major export contract for its NITE-OP night vision goggle systems from a South-East-Asian air force for night flight operations. This follows orders already received for NITE-OP from the UK government for helicopters and fixed-wing recourements. requirements.
NITE-OP will be used for pilots

involved in coastal and border patrol activities, giving them the capability to see in the dark

# Briefly...

The Finnish Air Force, has awarded a contract to military radio communications specialist, ELMER ISC SpA, for the supply of customized versions of its multihand SRT-651 V/UHF airborne

transceivers. Ferranti Business Communications has added a new Rhapsody fax to its existing range to answer the growing requirement for medium sized machines which increase office

# = ADVERTISEMENT **-**

# 2050 enters service

Already at sea with the Royal already been submitted Navy in HMS Brilliant and against a number of require-Broadsword, the new generaments including Australia and tion surface ship Sonar 2050 has been developed by Ferranti Computer Systems in conjunction with the Admiralty Research Establishment at Portland. A compact light-weight search and attack system, it is considerably smaller and cheaper than its predecessor Sonar 2016.

Interest from overseas is expected to grow stronger as the 2050 sonar enters service with the Navy. Export systems are being marketed by Ferranti International under its private venture designation. FMS 21. Proposals have

Carporal State

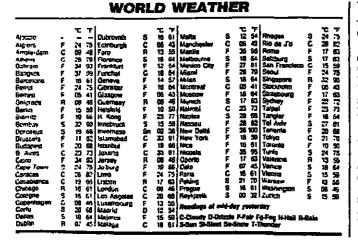
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### ROYAL AIR FORCE

# Radar training success

Ferranti Computer Systems they can be expected to gain has won a MoD coutract, an area radar endorsement valued in excess of £6m, to within three months of arrivsupply an air traffic control, area Radar Training system Comprising six trainee control to the Royal Air Force for installation at its centralised air traffic control school in Shawbury. Shropshire. Scheduled for delivery in midigate of simulating up to 180 eiucraft operating in UK at the company's new Training Systems Division facilities at Fleet, Hants The Rastar Scan Radar Viewing Units will be supplied by the air traffic control systems facility of Data Display Update System Cumping Systems Computer Systems, (EDDUS) and Support Information Retrieval System (EDDUS) and support Information Retrieval System nation Retrieval System and agency communications.





### companies at airports such as cleaning companies. Hussein accepts premier's resignation

Continued from Page 1 the move was uncharacteristically swift, reflecting the scale recent riots. Mr Rifai, 53, was a boyhood friend of the King's, and had previously been Prime Minister between 1973 and

In a letter to Mr Rifai, King Hussein praised the former Prime Minister for steering the country through "a critical and difficult period in which there was a need for a comprehensive reassessment of our economic policies and our plan on the national level".

It was not immediately clear

last night who might be the next Prime Minister.
Ten people are believed to have died in the past week's violent disturbances.

They were triggered by an increase in the prices of fuel and other basic commodities imposed two weekends ago under an economic reform programme agreed in return for standby credits from the IMF and World Bank totalling

But the demonstrations

swiftly turned into angry oppo-sition to a Prime Minister

accused of corruption and

repression.

Jordan's influential professional associations, which are the only forum for political expression in the Kingdom, joined the call for his resigna-tion at the weekend.

Jordanians do not appear to be under any illusions that the formation of the new govern-ment will in itself solve the country's problems. Some leading members of the elite were yesterday calling for further moves to broaden popular participation in Jordan's political

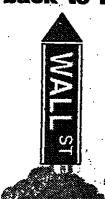
# **FINANCIAL TIMES** COMPANIES & MARKETS

Tuesday April 25 1989



### INSIDE

### Wali Street roars back to life



Signs of a slowdown in inflation helped Wali Street put in a rare star performance on the world stock markets front last week. Buoyed by active turnover and its own upward momenturn, the market shrugged off a steep increase in oil prices

and faitered only slightly when the Bundesbank raised West German interest rates. It climbed a solid 2.6 per cent and was just beaten into first place by Norway, which rose 3 per cent as the higher oil prices beloed

fuel an ascent that has continued throughout this year, writes Allson Maitland. Page 45

### Good news for some

A price explosion in the chemicals industry has led to some industries' raw materials costs doubling over the past two years. Now there are signs of a period of stability. While welcome to chemicals purchasers, this development is worrying to the producers, who are aiready concerned that a resh of plans for new plants could disturb the good times. Page 22

### Explosion boosts nickel price



The price of nickel rose sharply on the London Metal Exchange yester-day after an explosion at a smelter owned by the Finnish mining and met-als group Outstumpu. The accident, which hap-pened last Saturday as the company was cele-brating the 40th anniversary of the start-up of its first flash smelter, was

the third incident in less than a year at plants using Outokumpu's flash smelting methods: Ken Gooding looks into the questions raised by this series of events. Page 38

### Spreading its wings

MacLellan Holdings, the diversified Industrial group headed by Mr Philip Ling, is to widen its distribution network with an all-share recom-mended offer for WA Holdings, valuing the group at £20.2m (£34.5m). The group also inveiled pre-tax profits of £11.1m for the 12 months to December 31, the first full year since Mr Ling reversed two private companies.
Haleworth and Haden — into P & W. MacLellan in October 1987, pagets Andrew Hill. Sage 28



Tootel Group, the textile group headed by Geoff-rey Maddrell (left) that is being stalked by Australian industrialist Abra-

ham Goldberg, yesterday announced a 5 per cent rise in pre-tax profits from £40.3m to £42.3m in the year to January 31. The results, which were held back by difficult market condi-

tions in the fabric division, continued problems with its office supplies business and the strength of sterling, were broadly in line with analysts' forecasts and the share price rose 3p to 130p. Vanessa Houlder reports. Page 28

### **Market Statistics**

Base lending rates Benchmark Govt bonds European options exch FT-A world indices FI int bond servine

London strere service London traded options London tradit options Money markets New Int. bond Issues World commodity prices World stock rold indices UK dividends approximated

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# Alaska spill prompts \$30m **Exxon charge**

By James Buchan in New York

EXXON, the largest US oil and gas company, charged \$30m to its profits for the first quarter of the year as a preliminary estimate of the costs of last month's Alaska

The company said it did not know what the ultimate cost of the spill would be.

The charge is insignificant in relation to first-quarter net prof-

its, which were \$1.27bn or 99 cents a share, down 15 per cent on the first quarter of the previ-

More important for Exxon's results was a profits squeeze at its worldwide refining and marketing business, as well as pres-sure on its European natural gas operation and lower capital gains on land sales.

Total sales in the quarter rose

1 per cent to \$22.24bn. The first-quarter earnings, though an average quarterly per-formance for the Exxon of the past six years, reflect sharp fluctuations in the company's indi-

In its exploration and production operation, the rising price of crude oil caused a 22 per cent rise in US profits to \$343m.

But interrupted production in the North Sea and lower natural gas profits in Europe cut upstream profits overseas for an

overall decline of 7 per cent. In the downstream operation, the rising crude price was not fully matched by higher gasoline prices and worldwide operating profits fell by 66 per cent to

Part of the decline can be attri-buted to capital gains of only \$51m on land sales, as against \$152m in the first quarter of last

Exxon continued to enjoy strong demand for petrochemicals, where profits rose 32 per cent to \$408m.

It said the \$30m charge was an initial estimate for the expense of salvaging and repairing the Exxon Valdez tanker, which ran aground on March 24 and leaked 10m gallons of crude oil into the waters of Prince William Sound.

The charge also covers the par-tial loss of cargo.

The company and its shipping division carry "insurance in substantial amounts to deal with clean-ups, damage claims and lia-bilities resulting from oil spills,"

But the company added that "based on information to date, we cannot reasonably estimate the net expense to be borne by Exxon and Exxon Shipping Company."

# SmithKline falls by 22% in first quarter

By James Buchan in New York

SMITHKLINE Beckman, the Philadelphia drugs group which is seeking to merge its main business with Beecham of the UK, yesterday reported a 22 per cent drop in net income for the first three months of this year because of weak markets for its test main wear rutton drugs. two main prescription drugs.

The decline, which took after-tax profits to \$130.2m or \$1.05 a

share, was expected on Wall Street. Mr Henry Wendt, Smith-Kline's chairman, has warned since last summer of pressure from competition on Smith-Kline's Tagamet ulcer drug and Dyazide diuretic treatment. SmithKline's other businesses, comprising consumer drugs, animal health, instruments, eye and skin care and clinical testing, all

Overall sales were up 7 per cent at \$1.24bn. "The decline in earnings in the

quarter was in line with our expectations," Mr Wendt said. He added that the main reason for the drop was lower pharma-ceutical turnover in comparison with early 1988 when the trade was building up heavy stocks of

Mr Wendt said that sales of Tagamet worldwide were \$285m and the group's total pharmaceuper cent at \$548.1m, fell by only 3 per cent in constant currencies. Operating profits from thera-

peutics, comprising drugs, con-sumer health care and animal medicine, declined from \$209.6m to \$163.6m. SmithKline's eye and skin care and scientific instru-ments businesses, which are not being included in the merged SmithKline Beecham, increased their operating profits modestly to \$23.7m and \$20.5m respec-

P AC-MAN defences — where a target company turns the tables on an unwanted predator and itself makes a bid for the bidder – have always seemed a concept more beloved of investment bankers than of companies them-

But Ranks Hovis McDougall the British bakeries and food group, yesterday reversed the roles with a vengeance on its unwanted 29.9 per cent stake-holder, Sydney-based Goodman

Fielder Wattie.

True, GFW does not actually have a bid for RHM on the table: its £1.7bn offer for the UK company lapsed when it was referred to the Monopolies and Mergers Commission last August, and Goodman subsequently decided not to pursue the inquiry. Attempts to auction the interest last autumn found no takers. But in spite of this, speculation about what Australasia's largest

food group might now do with its chunky stake - in particular, whether it might mount another assault this summer, when Take-over Panel rules would permit – have meant that RHM remained very much in the takeover bid

firing-line.
This is not the first time RHM has employed the Pac-man tactic. Back in the early-1980s, British Sugar started the current troubles by acquiring 14.7 per cent of the bakeries group, major brands of which include Bisto, Mr Kipling edges. Bayes et all the conditions and the second state of the seco ing cakes, Paxo stuffing and Sharwoods chutneys. RHM speed-ily bit back, snapping up just over 10 per cent of the sugar com-

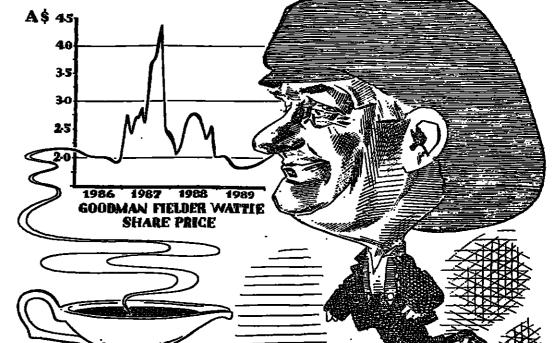
That 10.5 per cent holding was then sold on to S & W Berisford in 1982, giving Berisford control of British Sugar. At the time, it was suggested that Berisford would place out the RHM stake: instead, however, the holding was eventually sold to Goodman in August 1986, and the current

round of problems began.

This time, the questions are two-fold. First, should the bid for Goodman be seen essentially as a defence tactic, which will give RHM more clout in attempting to resolve the present uncomfortable situation, or is there genuine logic in melding the businesses? Second, if the latter is the case, what are RHM's chances?

The British group, not surpris-ingly, is keen to stress that this is not the Goodman offer reversed and that the two compa-nies' businesses are indeed com-plementary. It calculates that on the basis of the latest accounts - the combined turnbe in the region of £3bn, of which just over £1bn would come from Goodman, £1.7bn from its own interests, and a further £262m from Meneba, the Dutch bakery business which Goodman

acquired last June.
Milling and baking, however,
would still dominate, accounting for about 45 per cent of the combined group's sales. And this would be contributed almost equally by the two groups £461m from Goodman itself, £262m from Meneba and £622m



# The Bisto Kid throws a £1.7bn counter-punch

Nikki Tait and Bruce Jacques look at Ranks Hovis McDougall's bid for Goodman Fielder Wattie

The broad consumer foods cat-The broad consumer foods cat-egory would come next, with combined sales of £1.23bn - this time with RHM supplying the larger element (£834m), but Good-man still adding almost £400m-worth of sales worth of sales.

It should also be said that RHM which maintains that it first considered a Pac-man response to Goodman a year ago – was fairly careful throughout the Goodman bid not to throw doubts on the industrial logic.

It reserved its attacks for the level at which the bid was pitched and the constraints which it believed the bank debt involved in the leveraged offer would impose on the business, although its defense desumes. although its defence document did point to the heavy depen-dence of its target on New Zealand sales, "where the economy is contracting."

Analysts add that much of RHM's own steam in recent years has come from the rationalisation of its bakeries business, followed by the integration of Avana, and another takeover could be timely.

But there are perhaps a few caveats to this picture. First, Goodman has some significant interests which clearly have no obvious fit with RHM - textiles,

for example.

RHM is cagey when asked about possible disposals should the deal go through. Mr Stanley Metcalfe, managing director, stresses that RHM is in the business of running companies, but gives no commitments.

secondly, there is the financial side of the deal. The sums are complex, given that RHM is buying nearly 30 per cent of itself in the offer price — shares which will then be cancelled. The company maintains that the deal should not be dilutive in 1989-90 — the first full year in which it might own Goodman.

on forecasts of £49m after tax in the current year for Goodman, and £75m in 1990 (excluding any equity accounting for the RHM holding) - suggest that this implies both disposals and/or significant merger benefits.

However, analysts - working

Nevertheless, RHM appeared to dispel many doubts about the seriousness of its intentions yes-terday by spending more than £100m to pick up a 10.1 per cent holding in the Sydney-based com-pany. So what, assuming RHM is out to win Goodman, are the chances of success? On this score, the entire enterprise will

depend heavily on both the atti-tude of Goodman and of the Australian authorities.

The former remained fairly tight-lipped yesterday. In Sydney, a brief statement strongly recommended shareholders not to sell until directors had given the offer full consideration. The authorities' attitude, too,

is something of an unknown. It is worth noting that the Ranks offer closely follows a carve-up of another leading Australian food group, Amatil, by Coca-Cola of the US and BAT Industries of the UK, which has raised concerns about foreign control of the Australian food sector. Moreover, if successful, analysts reckon that UK groups would control more than 50 per cent of the Australian Goodman, 29 per cent, and Associated British Foods, through a near-80 per cent interest in George Weston, about 25 per

In short, on simple financial grounds, analysts in both Sydney and London were initially inclined to give the British group a fair chance of succeeding. But, with regard to Goodman's response and that of the Australian authorities, as one London analyst put it: "Ranks could be in for a long haul."

# Roche boosts payout and simplifies share structure

By William Dullforce in Basie

HOFFMANN-LA ROCHE, the Swiss chemicals and pharmaceuticals group, yesterday announced a major corporate and financial restructuring, a 33 per cent surge in 1988 net earnings and a 21 per cent increase in the and a 21 per cent increase in the shareholders' dividend.

But it dashed speculation that the suspension of trading in its shares on Friday, pending yesterday's announcement, foreshadowed a takeover bid for a US pharmaceuticals company.

Mr Fritz Gerber, chairman, said that acquisitions were not

ruled out but were not the pur-pose of Roche's structural over-haul. This was intended to adjust the group to the global market of the 1990s, reader its shares more tradeable and open it to institu-tional investors.

Control of Hoffmann-La Roche, it is clear, will remain — at least for the time being — with the Sacher family, which holds the majority of the current 16,000 voting always. The visible of current 18,000 voting always. ing shares. The rights of existing stockholders would be unaffected by the changes, Mr Gerber said. The main elements of the restructuring are the ending of the twin-share system and the creation of a holding company in

Basis.
The financial measures include a 50-for-1 stock split, the abolition of the "Baby Roche" certificates, an increase in nominal share capital from SFr50,000 to SFr80m (\$49m) and the addition of SFr452m to Roche's capital resources on terms which the board considers favourable to

Disclosure of the extensive reorganisation of Roche's out-dated capital structure was accompanied by the announcement of SFr641.5m in net consolidated earnings in 1988, up by SFr160m. Cash flow advanced by 21 per cent to SFr1.18bn and group sales climbed by 12.8 per cept to SFr8.69bn.

The board proposes to raise the dividend from SFr660 to SFr800 per share and per Genussschein (non-voting dividend-rights certif-

Roche's restructuring is planned to take place in three stages between now and September. In the first the twin-share structure will go.

Sapac Corporation of New Brunswick, Canada, with whose shares Hoffmann-La Roche's stock was twinned, will be transformed into a subsidiary of the new holding company.

Acquisitions have not been ruled out but are not the main purpose of the overhaul

Sapac's 16,000 "C" shares and 61,440 "D" shares will be called in, with the nominal value of 25 Canadian cents on the "C" shares being compensated by a payment of SFr0.40. The "D" shares had nil nominal value.

A dividend of SFr190 per share

will be paid for the last quarter of 1988 plus a final payment of SF365 for each recalled share. Sapac was set up over 50 years ago as an overseas base of retreat for Roche when war loomed in Russian.

It now accounts for only 10 per cent of group turnover.

In a second stage Roche Holding will be created in Basle from the existing parent company.

The operational assets and liabilities of the present Hoffmann-La Roche business will be transferred to a new company of

The third stage comprises several steps:

The nominal value of the 16,000 existing bearer shares will be increased from \$Fr3% to SFr100 by payment from com-pany funds, raising the share capital from SFr50,000 to SFrL6m.

A nine-for-one rights issue (subscription June 6-15) will be offered at SFr112 per share, rais-ing the capital to 160,000 shares of a nominal SFr16m. The SFr12 premium will cover the payment from company funds for the ini-tial capital increase to SFr1.6m. · Simultaneously, a free distribution of nine new Genussscheine per existing Genussschein raise their number from 61,440 to 614,400. This will allow for the phasing out of the "Baby Roche" certificates, which carry 1/10th the value of the Gen-

● A four-for-one rights issue (subscription August 2-15) of both shares and Genussscheine will be made at an issue price of SFr220 per share and SFr120 per Gen-ussschein. This will bring capital up to 800,000 shares of nominal SF180m while the number of Genussscheine of nil nominal value

will rise to 3,072,000.

There will also be an issue of 258,134 free Genussscheine in a ratio of 3:1 to holders of shares rights issue.

 Application will be made for listings of the new Roche Holding stock on the three big Swiss stock exchanges. So far Roche stock has been traded only over the counter and on the pre-market exchange.
The plan offers present stock-

holders SFr10,955 in cash or the money equivalent of drawing rights for each existing share or Genussschein. The total includes the 1988 dividend of SFr800, less 35 per cent withholding tax.
A shareholder would have to invest SFr9,808 per unit to complete all transactions. A Genuss-scheine holder would have to

# WHY SHOULD **INSURERS WANT TO** TALK TO MIDLAND MONTAGU?

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Midland Montagu Corporate Banking FINANCIAL INSTITUTIONS GROUP, SUFFOLK HOUSE, 5 LAURENCE POUNTNEY HILL LONDON EC4R OEU. ISSUED BY MIDLAND BANK PLC. A MEMBER OF IMRO AND AFBD. By Nick Bunker in London

CORPORATE raiders or poten-tial bidders could be blocked from secretly building up sizeable stakes in Sun Alliance, the UK composite insurer, if the company wins its shareholders' approval for a change it wants to make in its consti-

If the measure is given the go-ahead at an extraordinary general meeting on May 17, Sun Alliance will be able to disenfranchise any nominee shareholder that fails to dis-close within 28 days the beneficial ownership of shares it con-

Mr Henry Silver, Sun Alliance's company secretary, said the measure might be "a piece of useful machinery. Sun Alli-ance has no present need, but in the future who knows? None of us is inviolate these days." when the UK's composite

foreign investors accumulating large holdings of their shares, not least because of the possibility of large-scale takeover bids in the sector in the run-up to the creation of a single Only 18 months ago, in late

1987, the Adelaide Steamship investment group used a chain of 17 nominee companies based in a Sydney department store to acquire 4.7 per cent of Sun Alliance's fellow composite, Commercial Union. The disenfranchisement

clause says Sun Alliance can "remove all rights and privileges" to vote from any nomi-nee shareholder that fails to reply within four weeks to a notice sent out by the company under Section 212 of the 1985 Companies Act. Section 212 notices require nominee shareholders to disclose their beneficial ownership.

The Sun Alliance proposal is insurers are acutely sensitive to the possibility of predatory contained in a single para-

graph of a complex 46-page legal document posted to the group's shareholders yester-day. It gives details of a plan to restructure Sun Alliance around a new holding company, Sun Alliance Group. It also outlines 13 ways in which the new holding company's articles will differ from those of the current Sun Alli-

ance & London Insurance. Mr Silver said the idea was to use the restructuring as an opportunity for a general update of Sun Alliance's articles, which mostly date from 1959 when the group was created from a merger of the Sun Insurance Office and the Alliance Insurance Company.

Significantly, though, the Sun Alliance disenfranchisement clause is almost identical to a similar anti-corporate raider measure adopted in the articles of another UK insurer, London & Manchester, in

# Sulzer predicts rapid growth

SULZER Brothers, the Swiss engineering group which has fought a number of battles with dissident shareholders since 1987, expects the next few years to usher in a period of

rapidly growing profits. Mr Fritz Fahrni, chief executive, said yesterday that Sulzer was capable of doubling group profits "within the next three

to four years."

Orders in the first quarter of

(\$962m), said Mr Fahrni. He said net profit for this year Sulzer is to hold negotiations would improve upon the SFr79m turned in for 1988. Mr Fahrni, speaking at the company's annual meeting,

said costly restructuring undertaken last year would help Sulzer to achieve its medi-um-term profit forecasts. Orders for the whole of 1989 were expected to maintain the progress of the first quarter, but annual turnover would

with Omni Holding on whether to register 20,000 shares that Omni recently bought from Mr Tito Tettamanti, the Swiss law-yer turned financier.

The board intends to review its corporate statutes in respect of share registration. Although there were no plans to change the system, there were hints that the tight restrictions on registration

# Chemicals industry hopes for 'soft landing'

Peter Marsh on the outlook for synthetics prices after the recent upward movement

P urchasers of chemicals across a range of indu-"soft landing" to bring to an end the price explosion that has affected many basic synthetic materials over the past

two years. "In 1988 there was a great whoosh in chemical prices," says Mr John Phipps, a man-ager at Tecnon, a Londonbased chemicals consultancy.

"We ought now to be in for a period of stability."

In the past few weeks, there have been some signs of this happening. Prices of commodity plastics such as polypropylene, polyethylene and polystry-rene have started to soften in a major break with the generally upward movements of the past

two years.

For some buyers of chemicals the price rises have led to a doubling in raw materials costs in the past two years. In many, though not all, sectors, purchasing industries have generally been able to pass on these extra costs to the final

The price eruption has its roots in the good economic conditions in many industrialised countries. There has been strong demand from many big users of chemicals, which include the consumer-goods. vehicles and building indus-

tries.

About half the output of the world's \$1,000bn-a-year chemi-cals business is sold to other sectors of manufacturing industry rather than to final

An additional factor has been a worldwide shortage of manufacturing capacity in several basic chemicals. These include ethylene, an oil-derived

gas which is a basic building block for many other chemi-cals used throughout industry, commodity plastics; and a range of intermediates used to make artificial fibres. A number of the big guns in

the chemicals sector have benefited from the price escala-tion, chalking up record profits over the past two years.

However, the big chemicals businesses are unhappy about any talk of their profiteering from the buoyant demand.

Managers say that prices for commodity materials hit rock-bottom in the recession of the early 1980s. During this period many commodity-chemicals operations were losing money and the chemicals sector as a whole was in deep

The price movements since 1987, in the eyes of much of the synthetic-materials industry, have restored the sector to a more balanced position.

There is now some concern among chemicals executives that the current rash of plans for new commodity-chemicals plants, which has been spurred on by the healthy demand for chemicals, may disturb the

In combination with a widely expected slowdown in the world economy over the next few years, the new plants could lead to over-capacity and consequent price spirals. That could plunge the industry once again into gloom.
"What most people are hop-

ing for is for prices to follow what you might call a Lawson-ian glide path, in which they come off their peak but settle down in a balanced way," says Mr Peter Driscoll, who works

**Chemical Prices** Western Europe (\$ per tonne) Polystyrene
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a UK consultancy.
Discussion of the price shifts is complicated by the hundreds of basic chemicals affected and the tangled nature of the pro-

1987 1988 1989 Source : Mergan Stantey, Tecnon

duction routes.

A further complexity is the lack of formal markets for even the most widely traded com-modity chemicals. Prices for these substances are generally decided on in informal telephone conversations between buyers and sellers

Together with ethylene and other oil-derived materials including toluene and benzene (which are used in a range of industrial chemicals) widely traded bulk chemicals also encompass products made from feedstocks other than

Despite the relatively hap-hazard way in which chemicals prices are decided, sums charged for the main chemicals in specific geographical regions tend to cluster around the same levels, regardless of sup-

However, there can be significant differences between prices in the main industrial blocs of Western Europe, Japan and the US, due to different trading conditions. Sums charged by suppliers

may also vary depending on whether the buyers contract for a consignment of chemicals several months in advance or buy on the spot market for immediate delivery. In today's tight market for chemicals, spot prices are often signifi-cantly higher.

Specific factors that can influence sums charged for chemicals include heavy pur-

chases from large customers. Last year, China was a big purchaser of many bulk plastics and fibre intermediates from the West, a factor that helped

keep up prices. In 1989, purchases from China have been lower, which has been one reason for the slackening in the market. Plant shutdowns and unusu-ally heavy demand for materi-

ally heavy demand for materials such as gasoline products which may be made in the same manufacturing process as specific chemicals — examples include benzene and toluene — can also influence price movements

Ethylene is made at an annual rate of some 50m tonnes, some 60 per cent of which is used as feedstock for big-selling plastics such as polyethylene and polystyrene. European contract prices are now about \$700 a tonne, double the figure at the end of 1967, a similar upward trend

The changes in ethylene pricing have been especially good news for Dow Chemical, Exton and Union Carbide of the US, Canada's Nova and the Anglo-Dutch Shell — the world's five

biggest ethylene suppliers.
Commodity plastics have followed the general upward price movement, as have other somewhat more specialised chemi-cals used to make acrylic, nylon and polyester fibres. Major intermediates that fea-ture in fibre production include terephthalic acid, dimethyl terephthalate, capro-lactam and acrylonitrile.

Due to the difficult times for much of the textiles sector, the much of the textiles sector, the main purchaser of fibres, fibre producers have generally not been able to pass on their higher raw-material costs to customers — and thus have suffered. "The fibres people have been tanned over the past two years." says Mr Driscoll.

Fibre-makers that buy most of their intermediates from cutsiders rather than produc-

ing the materials themselves have been particularly hard hit by the price changes. Chemicals groups in this position—which are only marginally "backwards integrated" and which as a result have missed out on at least some aspects of the recent profits boom -include Akzo of Holland and France's Rhône-Poulenc.

The packaging industry, another big user of chemicals, has generally been able to pass on the higher costs, according to Ms Rowena Mills, a Londonbased packaging consultant. Even so, she says, some compa-nies in this sector have suffered from the higher costs. "They are hoping for more set-tled times in 1989," she says.

# 1989 had increased by more but annual turnover would restrictions on than a tenth to SFr1.57bn grow at a slower rate than the might be relaxed. Groupe de la Cité boosts sales 8.7%

By George Graham in Paris

GROUPE DE la Cité, France's second-largest book publisher, has reported net profits last year of FFr277m (\$44\_18m) , or FFr359m including an extraor-dinary gain on the sale of a

headquarters building. The group said the comparison with Presses de la Cité's 1987 results was meaningless because of the merger last year with the publishing activ-ities of CEP Communication,

but sales had increased on a pro-forma basis by 8.7 per cent to FFr4.96bn.

France Loisirs, the highly profitable book club in which Groupe de la Cité has a 50 per cent stake, contributed around 60 per cent of earnings, com-pany officials said. The old Presses de la Cité

yesterday reported a net profit of FFr273m (\$43.54m), or FFr243m excluding its share of Groupe de la Cité's extraordi-

was almost entirely dependent on France Loisirs. CEP's contribution to the cent to FFr4.24bn.

marriage, including the famous Larousse dictionaries and encyclopaedias, and Nathan educational books, was more profitable. CEP Communication itself

nary gain. It said sales had risen 32 per

# AMB lifts earnings 16% and forecasts further rise

By Halg Simonian in Frankfurt

AACHENER und Münchener Beteilingungs (AMB), the holding company for the Aachener und Münchener Insurance group, will report net profits up by 16 per cent to DM64.6m (\$34.9m) for 1988 from DM55.5m the previous year when it publishes its full results later this

year. A further increase in earnings is forecast for 1988. The rise stemmed largely from improvements at subsidiary companies, which include

Bank für Gemeinwirtschaft (BiG), in which AMB bought a majority stake in 1987.

Partial operating earnings at the bank over the track of the state o the bank are set to rise by more than 25 per cent from the DM136.4m made in 1987, due to an increase in interest earn-

ings and a fall in costs. The

bank will not report its precise figures until this summer. AMB is also seeing the fruits of the increasingly close links between its banking and insur-ucts - both measured in terms

BfG this year:
According to forecasts based
on first-quarter figures, BfG
should generate a minimum of DM20m in property and casualty premiums and at least DM6m in health insurance premiums this year. Life insur-

of aggregate contract sizes should amount to at least DM1bn and DM200m respectively.

However, despite the improvement in profits last year, BfG's contribution to year, BfG's contribution to AMB's group earnings in 1988 remained virtually static at just below DM40m.

The AMB group, which is paying an unchanged DM12.50-a-share dividend for 1988, plans to increase its authorised captions. The group, which has bought a stake in Volksfürsorge, Germany's third biggest life insurer, and expanded in France and Spain in recent months, says it wants to concentrate on organic growth.

त्तर १५६ व १९५७ व पुरुषेत्राचित्र तथा क्षेत्रकारी वार्ति हुन्। इ.स.च्या १९५४ व १९५४ व १९५४ व्यक्तिकारी हुन्।

tal by DM110m. The company says the measure, which could enable it to raise up to around DM1.5bn via a rights issue based on its current share price, does not mean it has any takeover targets at present.

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OR

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# Ogilvy is on the move worldwide

As Ogilvy & Mather enters its fifth decade in the U.S., The Ogilvy Group is on the move worldwide.

Its Annual Report shows record profits for 1988, and \$560 million in new business. It now serves more international clients than any of its competitors.

And Ogilvy's move next month into centralized headquarters in Manhattan's Worldwide Plaza reflects vigorous growth in the 1980s and bright prospects for 1989 and beyond.

Read on for latest developments.

here's a lot going on throughout The Ogilvy Group these days.

Our Annual Report for 1988, just out, shows the company reaching new highs in revenues, profits, earnings per share, and dividends.

New business is coming in at a rate of about \$10 million a week—\$560 million last year, \$185 million so far in 1989. (\$308 million came in last year as 1045 new assignments from present clients—1045 votes of confidence.)

Ogilvy keeps on winning a healthy assortment of the more serious creative awards, confirming its reputation as an intensely creative organization.

A strategy for future growth is both ambitious and realistic. It addresses changing client needs and what it takes to meet them—what it takes to sell products today and to build and nurture enduring brands.

The Ogilvy Group is fortunate in having unusually stable management and a corporate culture that provides a true partnership around the world.

And as if to give personal impetus to the company's thrust, next month 1489 employees in New York will start moving into new headquarters in midtown Manhattan's Worldwide Plaza, This efficient new office complex provides attractive real estate terms and places under one roof diverse Ogilvy operations that have been outgrowing facilities scattered around town.

### Innovations in client service

David Ogilvy says he believes that "the purpose of everything we do should be to improve our services to clients." Earlier this month Ogilvy & Mather Worldwide, the largest unit in The Ogilvy Group, announced organizational changes designed with that goal in mind.

These innovations will improve our service to the growing group of clients who employ two or more of our services in advertising, direct response, public relations, and sales promotion. A new position, the Client

As reconneces of The Ogicuy Group reached a record \$838 million in 1988, not income, earnings per share, and dividends also set new records. The charts above show percentage increases over 1983 as a five-year-old base.

. .

Service Director, will represent no single discipline or office. His or her mission will be the solution of a client's problems and the building of its brands by whatever means may be appropriate.

### 38% of revenues outside advertising

The new organization reflects the changing nature of our business. Forty years ago, when the company opened its doors in the United States, 100 percent of its business was in advertising. Today 38 percent comes from our other creative and marketing services.

Ogilvy & Mather was among the first to realize the full implications of direct response as a complement to mass marketing. Ogilvy & Mather Direct is now the largest such firm in the world, and the acknowledged leader creatively.

The Ogilvy Public Relations Group is another booming operation with revenues up 25 percent in 1988.

Promotional Campaigns around the world and the SAGE group in the U.S. provide a unique cluster of services to help clients at the retail level.

To better understand the consumer, we purchased Research International in 1987; we then acquired two major U.S. firms, Decisions Center and Cambridge Reports. The three make up the leading custom market research firm in the world.

Our plans for growth concentrate on these five core services. They allow us to work with our clients from the beginning of the marketing process to the purchase that comes at the end. With this capability we believe we can help build brands more effectively than our competitors.

### 50 clients in five or more countries

Industry figures published in Advertising Age show that Ogilvy & Mather works for 50 clients in five or more countries, compared with 34 for its closest competitor. In 1988, 54 percent of our revenues came from outside the United States.

■ U.S. ■ International Both U.S. and international revenues continued to grow in 1988; international revenues reached 54% of the total. Our network now consists of 356 offices in 53 countries, including:

- 126 advertising agencies
- 59 direct marketing companies
  53 public relations companies
- 26 retail marketing services and promotion companies
- 42 marketing research companies

Despite this rapid worldwide expansion, we see size as no object in itself. "We are not in the business of putting dots on a map," says Chairman Ken Roman. "We will go only where our clients go and where we can run a healthy, first-class operation. We are committed to service, not size. In David Ogilvy's words, megamergers are for megalomaniacs."

### Awards that count

The Ogilvy Group, like most of its leading competitors, wins dozens of awards every year for its creative work.

We attach special importance to the Direct Marketing Association's international Echo Awards which take into account hard evidence of results as well as creative qualities. Ogilvy & Mather Direct won nearly 25 percent of all 1988 Echos—four times as many as the number two firm.

Effectiveness is the sole criterion for the awards given by the U.K.'s Institute of Practitioners in Advertising. In 1988, Ogilvy & Mather won the Grand Prix for television, for Winalot Prime dog food.

Another prize that counts is the Stephen E. Kelly Award, given by U.S. magazine publishers to the one campaign each year that makes the most creative use of magazines. In 1988 Ogilvy & Mather won the Kelly for the fourth time in the seven years of its

Separate agencies in The Ogilvy Group have developed outstanding creative reputations of their own. These include Scali, McCabe, Sloves, a network of 16 offices in 9 countries; and Cole & Weber in the Pacific Northwest.

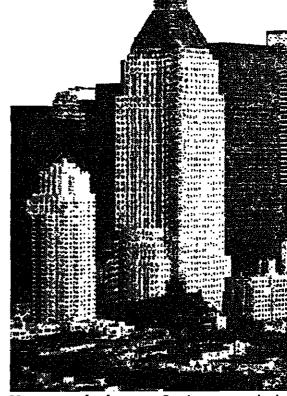
### The real story about margins

Here are the facts about the 1988 profit margins of The Ogilvy Group:

■ In advertising, our largest business,



Directors of The Ogilvy Group: Kenneth Roman (left), Chairman; Alexander Brody, President, International, Ogilvy & Mather Worldwide; Norman C. Berry, President, Creative, OMW; Graham Phillips, President, North America, OMW; and John Gill, Treasurer and Secretary. Their length of service to the company averages 18 years.



Move to new headquarters. Starting next month, the first 13 floors of New York's new Worldwide Plaza (above) will house six Ogilvy units that are now working out of four Manhattan locations.

operating margins were 9.7 percent. While it's hard to make direct comparisons for business segments, we believe that this is among the very top performances for publicly held international agencies.

- In direct response and public relations, our margins are higher than they are in advertising.
- Our margins for our retail and sales promotion businesses overseas are well above our 9.7 percent advertising margins. In the U.S. they are lower—a direct result of investment in the SAGE group of companies, an ambitious addition to our marketing services.
- In our research businesses our margins are below our advertising margins. In part this is because of accounting procedures in the research industry, in part due to restructuring the business since its purchase by The Ogilvy Group. We expect sharp improvement in research margins in 1989.

### Prospects for 1989: healthy growth

With the company on the move on so many fronts—creative, organizational, international, financial—we expect record profits again in 1989, as well as further improvement in margins.

Among the reasons for this expectation is our practice of mixed farming—maintaining a healthy balance between U.S. business and international business, between advertising and other disciplines, between local and worldwide accounts.

The Ogilvy Group is in fine enough balance on all these scales to adjust to whatever changes in the marketplace may come our way. The company is poised to enter the 1990s under a full head of steam.

For a copy of The Ogilvy Group's Annual Report for 1988, write to Toni Maloney at Two East 48th Street, New York, N.Y. 10017; after May 12, at The Ogilvy Group, Worldwide Plaza, 309 West 49th Street, New York, N.Y. 10019-7399.

The Ogilvy Group

Public Relations grew by 25% in 1988 and contributed 6% of Retail Marketing Direct Marketing grew by 14% in 1988 Earnings Per Share Dividends Per Share Net Income grew by 15% in 1988 and contributed 12.5% Services & Promotion grew by 85% in 1988 and contributed 3.7% (% increase over 1983) (% increase over 1983) and contributed 11% of contributed 62% of The Ogilvy Group's The Ogilvy Croup's The Ogilan Group's of The Ogilty Group's of The Ogilvy Group's revenues 84 85 86 87 88 83

By Roderick Oram in New York

SEARS, ROEBUCK has reported sharply higher earnings thanks to the first fruits of its new low-price retailing strategy and strong earnings from its insurance and financial services operations.

Net profits of the world's largest retailer rose 56 per cent to \$257.7m or 70 cents a share for the first quarter to March 31, from \$164.9m or 43 cents a year earlier. Revenues rose 11 per cent in the quarter to

A one-time gain from an accounting change made the final net \$709.1m or \$1.87, a year ago. The 1988 quarter also included \$25m in losses from

Good start

for Martin

Marietta

By Our Financial Staff

MARTIN MARIETTA, the US

space and electronics group,

has started the current year on a firm note following strong

performances in its two key

Titan launch vehicles and information systems, lifted net income in the first quarter to

\$59.2m or \$1.12 a share from \$50.9m or 96 cents last time on

sales marginally ahead at

chairman, said that the overall

results were in line with expec

tations and supported the

board's belief that full-year

earnings will show further

growth over "normalised" 1988

earnings. He added: "The increase in

groups, astronautics and elec-

moves which have resulted in

**NEW ISSUE** 

tronics and missiles."

Mr Norman Augustine,

\$1.32bn, against \$1.3bn.

The group, which produces

Mr Edward Brennan, chairman, said the favourable outlook for consumer spending on goods and services should stimulate further growth of

The group's merchandise sector turned in first-quarter net income of \$33.8m, against \$18.7m a year earlier before the accounting gain. Revenues rose 12 per cent to \$6.76bn from \$6.04bn, paced by a 16 per cent rise in March after the company implemented its new

strategy.
In an effort to revitalise its flagging performance, Sears laid out a restructuring plan last autumn which included streamlining its bureaucracy and switching from periodic sales to "everyday low-prices."
"We are delighted with consumer response." Mr Brennan said. Merchandising revenues were also boosted by Western Auto Supply, a vehicle parts retailer Sears acquired in April

The group's Allstate Insur-ance division reported net income of \$243.9m, up 45 per cent from \$168.6m which included \$27m of losses from discontinued life-health operations. Increased investment income and better under writing results contributed to higher profits. Revenues rose 11 per cent to \$4.16bn from \$3.73bn.

Sears' Dean Witter Financial Services group reported net income of \$37.4m against \$23.3m on revenues of \$966.9m against \$919.7m. Income from securities related business contributed \$21m against \$16.1m. The Discover credit card operations reported profits of \$20.1m compared with \$6.4m a year earlier after a long period of start-up losses.

The company's Coldwell Banker Real Estate division reported a loss of \$16.2m, compared with a loss of \$600,000 a year earlier on revenues of \$310.7m against \$274.1m. The larger loss reflected the timing of the sale of some shopping

# Small reverse for Goodyear

GOODYEAR, the leading US tyre and rubber company, suf-fered a small decline in profits during the first quarter, largely because of setbacks in the international markets caused by the strengthening dollar.

First-quarter earnings were \$94.5m or \$1.64 a share, 1 per cent down on the \$95.3m or \$1.67 reported a year ago. Worldwide sales were 4 per cent higher at \$2.6bn, though most of the increase was recorded outside the group's

Worldwide sales of tyres and

related products increased by 1.9 per cent to \$2.12bn, entirely as a result of higher prices. Unit sales actually declined by 3.7 per cent, Goodyear said. Operating income in this seg-ment fell by 3.5 per cent to \$193.7m because of lower for-eign results, which more than offset an improved perfor-

mance in the US.

General products sales, including chemicals and industrial products, advanced by 15.4 per cent to \$517.7m, but

income was affected hy depressed conditions in Latin

Analysing its activities by geographical areas, Goodyear said that total foreign sales grew by 1 per cent to \$1bn, but operating income declined by 14.2 per cent to \$121.7m. The stronger dollar, along with Latin American reform measures, contributed to the lower foreign results.

US sales were up by 1.6 per cent to \$1.6bn and operating operating income was profits rose by 10.5 per cent to unchanged at \$65m. This \$138.6m.

# NTT rejects Alcatel's figures

By Terry Dodsworth, Industrial Editor

NTT, the Japanese telephone operating company, responded yesterday to claims of protectionism in Japan by rejecting first-quarter earnings reflects strong performances by the claims that it was not interested in baying equipment from overseas.

corporation's two largest Mr Moriji Kuwabara, executive vice-president, dismissed figures produced by Alcatel, The backlog at the end of the the leading European equip-ment group, as inaccurate. He said that NTT had steadily quarter was \$11.2bn, compared with \$11.1bn a year ago.
In recent years the group has carried out restructuring increased its equipment acqui-sitions from overseas during the 1980s, after introducing a emphasising its strengths in technological areas such as new international procurement

policy in 1981. Out of total direct equipment Analysts had predicted that Marietta would show contin-ued earnings growth this year purchases of about £4bn (\$6.86bn) a year, NTT was now buying £206m, or approxidespite the poor outlook for defence spending. mately 5 per cent, from foreign

These securities have been sold outside the United States of America and Japan. This annou

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suppliers, he said. This con-trasts sharply with the figure given last week by Mr Pierre Suard, chairman of Alcatel, the largest European telecommunications group.
Suard said that NTT was

only acquiring 1 per cent of its annual supplies from non-Japa-Mr Kuwabara also dismissed Alcatel's suggestion that it only bought 0.1 per cent of its products from European sup-pliers, although he confirmed that the majority of NTT's purchases was from North America. European companies, he

claimed, supplied about 0.4 per cent of NTT's annual equip-The argument between the two companies comes when telecommunications equipment suppliers are jostling for position in overseas markets following moves towards deregulation around the world.

Mr Suard argues that Europe must be careful in this process not to weaken its domestic manufacturers by allowing unlimited access to American and Japanese producers. Both Japan and the US, he claims, are protectionist in their tele communications sectors.

Mr Kuwabara said in London that European companies had not been as aggressive as their US counterparts in trying to enter the Japanese telecoms market.

21st April, 1989

They appeared to have been discouraged by language and cultural barriers.

# Strong . opening quarter

By Karen Zagor in New York

the biggest US conglomerate, yesterday reported strong first-quarter results with gains in most of its diverse businesses. Net income increased by 12

per cent to \$200m or \$1.40 a share from \$180m or \$1.25 a year ago. Revenues rose 6 per cent to \$4.8bn from \$4.5bn. The 1988 sales figures were restated to reflect a new insurance accounting standard.
The New York-based com-

pany said that all its services businesses, apart from the Hartford insurance group, showed an increase in operat-ing income during the quarter. The Hartford was hit by a general downturn in domestic property and casualty under-

writing.

ITT said that its Sheraton hotel chain had strong gains because of favourable hotel occupancy and pricing trends, predominantly in Europe and

Mr Rand Araskog, chairman and chief executive, said: "Despite evidence in the first quarter of the continuing downturn in the property and casualty insurance business. the year is off to a good start."

### Berlusconi 'not in merger talks'

MR SILVIO Beriusconi is not involved in negotiations to marge his Standa retail chain with the department store group La Rinascente, accord-ing to a Berlusconi aide, Reuters reports. The comments follow an

article in yesterday's Financial Times which suggested that preliminary talks were under way between Berlusconi interests and the Agnelli family which controls La Rinascente. However, Mr Dario Rivolta, the aide, confirmed that Mr Rerlusconi was seeking poten-

tial partners to create a

no recent discussions on the

Burope-wide retail distribution group. "Berlusconi has frequently told the Agnelli group of his desire to acquire Rinascente, or to reach some other form of accord," said Mr Rivolta. But he added that there had been

Fininvest, part of the Berlus-coni group, acquired Standa meted a net 1988 loss of L42.1bn (\$81m), against a 1.24.4bn profit in the previous

# Contrasting performances by US chemicals groups

Monsanto, two large US chemicals groups, yesterday reported contrasting profits performances in the first three months of the year because of the contrasting profits and plastics business rose 54 per cent to \$334m, with industrial gas profits up 14 per cent at \$79m and carbon products 40 months of the year because of their different product mar-

Carbide, which is leading the US industry in profits growth as it exploits cheap raw materi-als and strong prices for its basic ethylene and ethylene-de-rived chemicals, said earnings all but doubled to \$201m.
But Monsanto, which pro-

duces more specialised chemicals that have suffered from rising commodity chemical prices, said its net income rose only 6 per cent to \$222m. Carbide, which is based in

Danbury, Connecticut, said its earnings after tax rose 99 per cent to \$201m or \$1.37 a fully-diluted share. Sales rose 15 per All the company's businesses

But year-on-year growth is slower than in the last three quarters of 1988 and Mr Robert Kennedy, Carbide's chairman, said that some chemicals and plastics prices had begun to level in the first quarter of

per cent ahead at \$14m.

Monsanto, which has its headquarters in St Louis, nesaguarters in St. Louis, increased its net income per share by 13 per cent to \$3.24. The rise was larger than for net income because the commet income because the com-

pany bought in shares.
Sales rose nearly 7 per cent
to \$2.27bn. Mr Richard Mahoney, Monsanto's chairman,
said demand was strong across
all its main product lines and
he expected an outstanding

year for the company. "We are very pleased with the way 1989 is taking shape." he said. The company's best performance came at its Nutrasweet artificial sweetener business,

where higher worldwide demand caused operating profits to double to \$74m.

An increase in land under cultivation since last year's drought led to improvements at the herbicide operation while the G.D. Searle drugs

company cut its loss from \$26m to \$8m.
Profits from chemicals were
down from \$162m to \$130m
because of higher raw material costs and the loss of profits from an Australian business, which was sold last year. "We think that raw material costs have peaked and we expect that the chemical company's margins will improve through-out the remainder of 1989," Mr

# Reebok ahead but warns of fall

By Karen Zagor

REEBOK International, the US shoe and clothing maker 32 per cent owned by Pentland Indus-tries of the UK, yesterday reported a slight improvement in first-quarter earnings, although the company predicts a decline in the second quarter. For the three months ended March 31, net income rose 3.4 per cent to \$49.4m or 43 cents a share, from \$47.8m or 42 cents a share the previous year. Sales were up 7.6 per cent to \$488.5m from \$454m.

Mr Paul Fireman, chairman and chief executive, said sales were very strong, and demand in the first quarter had been much higher than anticipated. "This increase in first-quarter sales, combined with our plan to decrease inventory levels, has resulted in our inventories being lower than we would like." The Massachusetts-based

company said inventories at the end of March fell to \$252m from \$298m a year ago. presents a temporary problem which will affect second-quar-ter sales because shortages in certain products will prevent us from taking as many orders as are available for second quarter delivery".

Reebok, whose trendy sports shoes are the brand of choice on the Chicago trading floors and US city streets, seems to have recovered from a disas-

trons fourth quarter, when per-share earnings plummeted to 6 cents from 30 cents, taking year-end earnings into a decline for the first time in the

company's nine-year history.

However, Reebok is still plagued by many of the problems which caused last year's decline, such as the performance of its Avia and Rock-

port brands.
Furthermore, appreciation of the South Korean currency, the won, has pushed produc-tion costs higher, since much of Reebok's footwear is made there. Meanwhile, competitive pressure in the US market is forcing Reebok to spend more

# **Hugo Boss in share flotation**

By Haig Simonian in Frankfurt

**BUGO BOSS, the West German** quality clothing group which earlier this year bought Joseph & Feiss, the US men's fashion company, is to float up to 20 per cent of its ordinary shares as part of a complicated three-stage capital-raising package. The group, which first issued preference shares to the public

in late 1985, announced that Mr. Uwe Holy and Mr Jochen Holy, its two main shareholders and last year. Standa: recently guiding lights, are to sell some of its ordinary share capital, announced a one-for-three atthough it gave no further which they own exclusively. The move is in response to investor demand for a wider DM33.7m in 1988 reported ear- annual meeting.

market in the company's

Timing and pricing details for the issue, which will be isd by Commerzbank, are likely to emerge at the company's press conference on May 11. How-ever, Boss confirmed that the issue will take place before its annual general meeting on

June 26.

The company whose sales rose by almost 13 per cent to The company, whose sales reflect recent growth and rose by almost 13 per cent to acquisitions, as well as supply DM600m (\$24m) in 1988, also further capital for growth.

lier and favourable sales and

profits developments so far this year. Boss also said it would be raising the dividend on both its preference and ordinary shares from DM20 a share and DM18 a share respectively in 1987.

The company is planning a rights issue later this year to raise its shareholders' funds to

# World pulp prices aid growth at Repap

STRENGTH international pulp prices helped Repap Enterprises to maintain profits growth in the first quarter, while companies with large newsprint produc-tion bases have been reporting

lower earnings.
Repap, with major pulp mills in Eastern and Western Canada and coated paper mills in New Brunswick and Wisconsin, reported net income of C\$24.7m (US\$20.8m) or 47 cents a share, up from C\$18.1m or 35 cents a year earlier on sales of C\$264m against C\$256m

of Fletcher Challenge Canada, ces an integrated forest products group with a large newsprint component, reported first-quarter net profits of C\$36.1m or 60 cents a share, down from

Cents a share, thousand Cents, on sales of Cents, or sales of Cents and Iumber markets softened but the company also benefited from higher pulp prices. Profit for all 1989 will not match the peak level of

Higher base metal prices brought doubled profits for Cominco, the Vancouver-based

mining and metals group con-trolled by Teck Corporation and two large international metals companies.

First-quarter net was C\$70.5m or 86 cents a share, up from C\$31.9m or 35 cents a year earlier, on revenues of C\$394m, against C\$363m. Common is the former min-ing and metals arm of Cana-

dian Pacific.

TransCanada PipeLines saw improved first-quarter results from its gas transmission business, but losses on its upstream oil and gas division

production. Overall group first-quarter earnings were C\$24.7m or 16 cents a share, up from C\$18.2m or 13 cents.

Shareholders at the annual meeting in Toronto were expected to approve the com-pany's spin-off of its Encor Energy upstream business. BCE, Canada's largest holding company, owns 49 per cent of TCPL and approves the plan creating a separate gas utility and upstream oil and sea conand upstream oil and gas company. It will own 49 per cent of the new Encor.

### ALLIANCE LEICESTER

Alliance & Leicester Building Society

£300,000,000

Floating Rate Notes 1994

Notice is hereby given that the Notes will bear interest at 13.3925% per annum for the interest period 24th April, 1989 to 24th July, 1989. Interest payable on the relevant interest payment date, 24th July, 1989 will amount to £166.95 per £5,000 Note and £3,338.95 per £100,000 Note.

Agent Bank Morgan Guaranty Trust Company of New York

# ES CO-OPERATIVE BANK P.L.C.

£75,000,000

Subordinated Floating Rate Notes 2000 Holders of Floating Rate Notes of the above issue are

hereby notified that for the interest period from 24th April, 1989 to 24th July, 1989 the following information will apply: 1. Rate of Interest: 131/6% per annum

2. Interest Amount payable on Interest Payment Date:

Interest Payment

£1,675.09 Per £50,000 nominal

Per £5,000 nominal or

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'Date: 24th July, 1989

Bank of America International Limited

### Kansallis-osake-pankki corporated with Limited Liability in Finland) US DLRS 100,000,000 Subordinated Floating Rate Notes due July 1997

 Annual Interest rate for the period from April 24, 1999 to July 24, 1999 will be 10 % to Ju notes USS 200.68 per coupon for USS 10,000 denomination beaver notes 10,500 denomination beaver USS 6,816.93 per coupon for tracem non denomination beaver

Hae Générale du Luxembo Banque Generale Reference Agent

### BRITANNIA BUILDING SOCIETY

Floating Rate Notes Due 1996

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three acousts Interest Period from (and including) 24th April, 1989 to (but excluding) 24th July, 1989, the Notes will convey a cott of interest of 13 4125. excluding) 24th July, 1907, me rooms will cany a rate of interest of 13.4125 per cent. per assum. The relevant Interest Payment Date will be 24th July, 1989. The Coupon Amount per 110,000 will be £334.39, payable against surrender of Coupon No. 11: Hambres Benk Limited Agent Bank

### US. \$60,000,000 Industrias Peñoles, S.A. de C.V.

Floating Rate Notes Due 1989

10.8125% per annum Interest Period 24th April 1989 24th July 1989

Interest Amount per U.S. \$10,000 Note due 24th July 1989 U.S. \$273,32

Credit Suisse First Boston Limited Agent Bank



Nomura International Mitsubishi Trust International Limited

Banque Paribas Capital Markets Limited Baring Brothers & Co., Limited **BNP Capital Markets Limited** 

Dresdner Bank Interallianz Bank Zürich A.G. Merrill Lynch International Limited Salomon Brothers International Limited Swiss Volksbank

Universal (U.K.) Limited

J. Henry Schroder Wagg & Co. Limited

Barclays de Zoete Wedd Limited **BHF-BANK** Crédit Lyonnais Robert Fleming & Co. Limited **Kyowa Finance International Limited** 

**Morgan Stanley International** 

Daiwa Europe Limited

Shearson Lehman Hutton International **UBS Phillips & Drew Securities Limited** S.G. Warburg Securities

Yamaichi International (Europe) Limited

### INTERNATIONAL COMPANIES AND FINANCE

# Koor finds unexpected riches in the Post

Hugh Carnegy on the puzzlingly high bid for the Jerusalem paper

hen senior executives of Koor Industries, the ailing Israeli conglomerate, decided to include a najority shareholding in the majority snareholding in the English-language Jerusalem Post newspaper in a US\$200m asset sale launched to appease anxious creditors, they reckned its reputation might help to fetch a good price. Just how good, they are now finding out.

When the 10 bids were opened last week, Koor was astonished to discover an offer of \$20.6m from Hollinger, the Canadian group headed by Mr Conrad Black which also owns Britain's Daily Telegraph Britain's Daily Telegraph.

Previously, a figure of around \$5m had been floated as a likely price for the 55 per cent stake held by Israel Investors Corporation (IIC), a US-based Koor subsidiary. "At first we really thought it might be a typing error," said an adviser to a somewhat chesadviser to a somewhat chas-

AN UPDATED balance sheet

and financial performance report on Australian National

Industries (ANI), the Sydney-based engineering group, is likely to be delayed for at least

The statement, which was expected yesterday, was fore-stalled by the A\$750m (US\$597.4m) takeover bid launched for ANI on Friday by the Consolidated Press Holdings.

ings group, chaired by Mr Kerry Packer.

Mr Neil Jones, ANI chair-man, sought immediate

approval yesterday from the National Companies and Secu-

rities Commission to release

the financial information so that the market would be able

to make a decision on the take-

But late yesterday Mr Henry Bosch, the commission chair-

man, said he was treating Mr

Jones' request with caution because of ANI's exposure to the recent collapse of the Syd-

Dated: April 25, 1989

19th October, 1989.

Bankers Trust Company, London

NZ securities watchdog

delays new ANI report

tened rival hidder. The question now is what led Hollinger to make such a high bid - the next highest was around \$8m - and what plans it may have for the newspaper. Yesterday, Mr David Radler of Hollinger began talks in Israel with IIC, but declined to comment on the bid. On the face of it, the Post is a modest prospect for an inves-

> THE JERUSALEM POST

tor. Its daily circulation is just 25,000, rising to around 45,000 on Fridays. Its asset value is put at near \$3m and it has only managed to break even recently. The paper invested in a computerised editorial system. tem 18 months ago and

employs 70 journalists.
But, as with other newspapers around the world, it is the less easily calculable assets

one that would not be likely to mislead the market."

Consolidated Press said that

in the future it may sell insde-

quately performing assets of ANI if its takeover bid suc-

ceeds. But its takeover docu-

ment said it planned to con-tinue the ANI businesses for

the present.

To the Holders of

WARRANTS

WAKO SECURITIES CO., LTD.

of U.S. \$50,000,000

21/2 Guaranteed Notes Due 1991

NOTICE OF ADJUSTMENT OF SUBSCRIPTION PRICE

ALLIANCE -- LEICESTER

Alliance & Leicester Building Society

Subordinated Floating Rate Notes due 1998

For the six months 19th April, 1989 to 19th October, 1989, the Notes will-carry an interest rate of 13.7625% per annum with an interest amount of £69,001.03 per £1,000,000 Note, payable on 19th October 1980

Listed on the Luxembourg Stock Exchange.

£38,000,000 -

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THE INDUSTRIAL BANK OF JAPAN

TRUST COMPANY on behalf of: WAKO SECURITIES CO., LTD.

which seem to have set the bid-ding alight.
Since its foundation as the Since its foundation as the Palestine Post during the British Mandate in 1932, it has built a reputation as an independent Jewish voice which these days takes a liberal line well to the left of Mr Yitzhak Shamir, the hardline Prime Minister. In Israel its influence derives from its sole position as an English-language daily, scrutinised minutely by foreign diplomats and politicians and probably too much by foreign correspondents.

correspondents.

Additionally, the Post is a key source of information about Israel for the big Jewish community in the US. It pub-lishes a weekly international edition which has a circulation of more than 60,000, mainly in

The combination of these factors — especially the possibility of expanding in the US by greater use of satellite

transmission — drew the bidders to the sale. Apart from Hollinger they include Mr Robert Maxwell, the British publisher, acting jointly with Mr Charles Bronfman of Canada's Claridge group. Their now Claridge group. Their now modest-looking \$3.5m bid was to be followed by a \$15m plan to make the Post "the voice of world Jewry."
Mr Arye Genger, an Israeli

THE JERUSALEM POST

businessman of a right-wing political hue, is another prominent figure in the bidding. The prospect of coming under the control of him or Mr Maxwell has alarmed the Post staff, who hoped that the Australian Pratt Group, which prints and distributes the international edition of the paper, would win

the day. Now, however, all eyes are

on Hollinger. There is much puzzling in Israel over Mr Black's motives. It is noted that, unlike the other top bid-ders, he is not Jewish, though some of his top associates are. Even those who see a rationale for a Jewish investor to pay over the odds to secure such an organ of Jewry feel that Hollinger's bid is, in the words of one senior Post executive,

"totally out of proportion."
Like other bldders, Hollinger may also want to acquire the balance of the shares currently held by Bank Hapoalim, Koor's biggest creditor, although the bank says it has yet to decide whether it is willing to sell.

All this will become clear to IIC and its masters in Koor this week. For now, Koor, owned by the Israeli labour movement and in debt to the tune of more than \$1.2bn, is delighted that its hunch to strip out the Post holding before disposing of the rest of IIC looks like paying off

### **Bond Corp is** questioned over

ney merchant bank Spedley Holdings, which was estimated at close to A\$200m. Mr Bosch said that, since the Spedley provisional liquidator had said that there was no

Bond Corp's share price fell clear idea of the company's to A\$1.14 (US\$0.91) yesterday - a low for 1969 - from a financial situation, the com-mission would want to make sure that the ANI release told the full story."
"I believe the financial situa-

tion of the Spedley group is likely to be very relevant to ANI," Mr Bosch said. "There-fore, the commission would be number of questions about warrant it."
"Quite recently there was a similar fall in a short period of whether or not any statement would be a full statement and

time. Almost certainly that was occasioned to a substan-tial extent by short-selling," he said. "There must be some prospect on evidence that this is happening again." Bond Media, owned 51.6 per

cent by Bond Corp, also fell to a 1989 low of 30 cents, down from 32 cents on Friday. Shares in companies ass

ated with entrepreneur Mr Alan Bond have been out of favour, following his unsuccessful attempt to take over Lonrho in the UK and worries surrounding an Australian Broadcasting Tribunal investi-gation into Bond's fitness to hold a broadcasting licence.

# Rationalisation lifts Kao profits

By lan Rodger in Tokyo

Notice is hereby given that as a result of the issues on 29th March, 1989 by the Company of (i) 10 million new shares of common stock of the Company with an offer price of ¥1.950 per share and (ii) 30 billion bonds (in aggregate) convertible into shares of common stock of the Company with a conversion price of ¥2,121, the Subscription Price for the Warrants will be adjusted from ¥1,463.8 to ¥1,448.9 with effect from 19th April, 1989. year to March, mainly due to rationalisation moves although there was a modest 6.4 per cent rise in sales to Y521.3bn. The company said sales of

rose 30.4 per cent to Y17.5hn or Y34.93 per share on sales up 11.2 per cent to Y572.2hn.

# share price drop

THE AUSTRALIAN Stock Exchange said yesterday it had questioned Bond Corporation Holdings about the recent decline in its share price, Reuter reports from Perth.

closing A\$1.30 on Friday. The company said it knew of no reason for the fall.

Mr Peter Beckwith, manag-

ing director, said in a state-ment: "There is certainly nothing in the affairs of the company or in the knowledge of its directors that would

# 14.6% to Y35bn

PRE-TAX profits of Kao, the leading Japanese toiletries group, rose 14.6 per cent to a record Y35bn (\$266.4m) in the

The company said sales of cosmetics, facial cleansing creams and household detergents rose, but disposable nappy sales dropped.

Kao last year assumed part of the investments of its European subsidiaries, which caused appraisal losses totalling Yl.1bn.

Nevertheless, parent net profit rose 16 per cent to Y15.4bn. The company is forecasting a pre-tax profit of Y38.5bn in the current year.

On a consolidated basis, net profit in the 1988-88 fiscal year rose 30.4 per cent to Y17.5bn

**Amcor Investment Proprietary** Limited a wholly-owned subsidiary of

has acquired a 48% interest in

Sunclipse, Inc.

The undersigned acted as advisor to Amoor investments Proprietary Limited in this transaction

DONALD ZILKHA & COMPANY

Merch 30, 1989

### Minmetals keeps price of New Zealand Steel secret

By Dai Hayward in Wellington

DESPITE TWO requests from the New Zealand Stock Exchange, the price that Min-metals of China agreed to pay this week for New Zealand Steel – believed to be around NZ\$400m (US\$245.2m) - is still

Minmetals insists that the amount it will pay to the receivers of the failed Equiticorp investment group for its 80 per cent of NZ Steel, and to the Fisher and Paykel industrial company for the remaining 20 per cent, should stay confidential. The Chinese put this requirement in writing.
F&P said it does not have the power to disclose the price

because of this contractual

The stock exchange requested the information, in line with listings requirements, to keep the market informed. Mr Lindsay Gillanders, F&P company secretary, said that the price will probably be revealed after settlement date on June 30.
It has been disclosed that the

Minmetals bid arrived after the deadline in the tender but it was accepted because it was so much higher than any competing offer.
The deal is one of China's

biggest overseas purchases. It follows similar investments in commodities of which China is a big importer. These include a Canadian

pulp mill, part of an Australian aluminium smelter and forests in the US. Minmetals is now bidding for a large area of New Zealand forests being offered for sale. • The receivers of Equiticorp

said yesterday the company would be delisted on May 5, The New Zealand Stock

Exchange suspended trading in Equiticorp from this week. The shares last traded at just 1

Meeting of Shareholders which will be held at 4.00pm on Monday, 15 May 1989, in Helsinic, at Finlandia Hall, address: Karamzininizatu 4. The General Meeting will deal with the following matters:

 Matters to be dealt by the General Meeting according to Article 16 of the Company's Articles of Association. 2) A proposal to authorize the Board of Directors for a period of one

a) to decide on increasing the issued share capital by a new issue in one or several instalments of a maximum of FIM 144,000,000 by offering a maximum of 2,400,000 new restricted and/or free Series I shares of FIM 60 nominal value each, for subscription at a price determined by the Board of Directors and with such subscription terms and conditions as decided by the Board of Directors; or

b) to decide on the issuance of objectors; or b) to decide on the issuance of debt instruments convertible into shares or debt carrying warrants to subscribe for shares, in one or several instalments, with the condition that holders shall have the right to convert the debt either entirely or partly into shares of the Company or to subscribe for new shares; and to decide on all the terms and conditions of the debts and the related share subscriptions. The total aggregate nominal value of the shares that can be converted for debt or subscribed for on the basis of warrants may not exceed the total maximum of FIM 144,000,000; or

c) to decide on a combination of the powers given under para-graphs 2 a) and 2 b), provided that the employment of such authorities shall not exceed the total effect of FIM 144,000,000 on the issued share capital.

The proposed authorization shall also include the right to disapply the shareholders' pre-emptive rights.

In a possible new issue of shares or equity securities offered to nominated participant(s) without regard to the shareholders' pre-emption rights, the pricing of the issue shall be based on markets conditions. The financing to be raised is intended to further strengthen the Group's financial standing and its expansion and to allow for alternatives in the financing of important investments, including acquisitions.

Documents concerning the financial statements and the Board of Director's proposals for the decisions mentioned in point 2 are available for the shareholders' review at the Company's head office during one week's time prior to the General Meeting. The Company's Annual Report for 1988 will be available for distribution as of 26 April 1989, in Heisinid at the Company's head office, address John Stenbergin ranta 2, and at the Arabia shop, Pohjoisesplanadi 25. At request, the Annual Report will be sent to shareholders by mail.

A shareholder who wishes to participate in the General Meeting of Shareholders must register no later than 4.00pm on 11 May 1989, either in writing to Oy Wârtsilâ Ab, P.O. Box 230, 00101 Helsinki or by telephone Helsinki 7095 338. In order to be entitled to use the shareholder's right to vote at the General Meeting by proxy, a respective power-of-attorney shall be delivered to the Company before the end of the aforesaid registration period. Helsinki, 17 April 1989



THE REPUBLIC OF ARGENTINA NEW MONEY BOND DUE 1999

for the interest period begining on April 25th, 1989 and ending on a bond will carry an interest rate of 11½ % per angum. Barco Central de la Republica Argentina Republic of Argentina Financial Agent.

### ALLIANCE • LEICESTER

Alliance & Leicester Building Society £13,000,000

Subordinated Floating Rate Notes due 1998 For the six months 19th April, 1989 to 19th October, 1989, the Notes will carry an interest rate of 13.7625% per annum with an interest amount of £69,001.03 per £1,000,000 Note, payable on 19th October, 1989.

Listed on the Luxembourg Stock Exchange.

Benkers Trust Company, London

Agent Bank

This announcement appears as a matter of record only

### Le Groupe Mercona Limitée

### Le Groupe Commerce Compagnie D'Assurances

### La Compagnie D'Assurances Belair

### Nationale-Nederlanden N.V.

The undersigned acted as financial advisors to Le Groupe Mercona Limitée on this transaction.



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April 1989

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Subordinate Notes

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INVESTORS:

A Major Canadian Pension Fund The Canada Life Assurance Company Confederation Life insurance Company Metropolitan Life Insurance Company Sun Life Assurance Company of Canada L'Industrielle-Alliance Compagnie D'Assurance Sur la Vie Crown Life Insurance Company Royal insurance Group Actna Life Insurance Company of Canada

February 28, 1989

Merrill Lynch

### FT GUIDE TO WORLD CURRENCIES

The Cale Service place the latest care carbonal contract of contract of the co

Special Drawing Rights April 21, 1989 United Kingdom £0.760512 United States \$1.30770 Germany West D Mark 2.41676 Janan Yest72.159 European Currency Unit Rates April 24, 1989 United Kingdom £0.654546 United States \$1.1908 Germany West D Mark 2.07902 Japan Yes146.845

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential Imports; (g) Financial rate; (h) Exports; (f) Non commercial rate; (f) Business rate; (k) Boying rate; (i) Linuxy goods; (ii) Market rate; (o) Official rate; (p) preferential rate; (d) convertible rate; (r) parallel rate; (d) Selling rate; (l) Tourist rate; Some data supplied by Bank of America, Economics Department, London Trading Centre. Empiries: 01 634 4360/5.

Mooday, April 24, 1989.

TRADE INDEMNITY

THE CREDIT RISK MANAGERS



01-739 4311 OVERDUE

# SUMITOMO BANK ON THE FRENCH STOCK EXCHANGE

November 16, 1988
REGISTRATION ON THE CASH MARKET

Managed by

Banque Nationale de Paris

Daïwa Europe (France SA) — Crédit Commercial de France

April 21, 1989

REGISTRATION ON THE FORWARD MARKET

Managed by Banque Nationale de Paris



OFFICE OF FAIR TRADERS

Compatition Act 1980 Compatition reference under section 5

The Director General of Fair Trading in published a report under section 3 of it Competition Act 1980 stating in secondars with section 3 (10) of the Act that a courte conduct pursued by Black & Decker constuted an amit-competitive practice and that was appropriate for him to make a referent under section 5 of the Act, the Director General has not accepted any undertaking fro Black & Decker which covers the course conduct described in the report. Therefor in accepte of his powers under section 5 the Act the Director general has made reference to the Monopolies and Marge Contents in the Monopolies and Marge Contents in the following hypers.

(a) the person whose activities in to b investigated by the Commission is Black in Docker.

(b) the goods to which the investigation is to be extend are portable power tools and po-

(c) the course of conduct to be investigated in Black 3 Declar's conduct in with holding, or having withheld or threatened to withhold, exposites of the goods described at (b) from dealers on grounde related to the price at which such goods have been resold.

A report on this reference is to be made

within a period of four months from 18 April 1988.
If you have any intermation which help the Commission in their enquiries, please write to: The Secretary, Monopolies and Mergers Commission, New Court, 8 Carey Sweet London WCZA 2:17. If your lightr is to be

EXETER & THE HEART OF DEVON

The Financial Times proposes to publish this survey on:

15th May 1989

For a full editorial synopsis and advertisement details, please contact;

Clive Radford on 0272 292565

or write to him at:

Merchants House Wapping Road Bristol BS1 4RW Fax (0272) 225974

FINANCIAL TIMES

INTERNATIONAL CAPITAL MARKETS

# Mitsubishi's \$1.5bn issue offers downside protection

By Andrew Freeman

THE LARGEST JAPANESE equity warrant deal seen on the Eurobond market was launched yesterday for Mitsuhshi Corporation. The \$1.5hn live-year issue was brought by Nikko Securities on a day when nearly \$3bn worth of equity warrant deals dominated new-issue activity.

The Mitsubishi bonds were

The Mitsubishi bonds were priced at par and came with an indicated coupon of 4% per cent. A Nikko official said the paper was trading at 102 bid, a fine premium to the issue

price.

The issue has an unusual feature whereby the exercise price of the warrants will be re-fixed after three years. The idea behind the structure is that investors effectively have downside protection if the Mitsubishi share price underperforms.

However, they also stand to lose out if the shares perform very strongly. The borrower achieves cheaper funding in return for the downside protec-

US DOLLARS

Tokyo Telemono# Daiken Trade&Ind.# Mitsubishi Corp.#(a) Nippon Paint# Toyo Sash Co.# Furukawa Co.#

SWISS FRANCS MOS Food Service

STERLING

tion it is offering investors.

Five other equity warrant deals were launched to achieve final pricing before important Japanese holidays next week.

Daiwa was the lead manager of two deals, a \$200m issue for Tokyo Tatemono and a \$100m issue for Daiken Trade &

INTERNATIONAL BONDS

Industry. Both deals carried indicated coupons of 4% per cent and were quoted by the lead manager at par bid.

A \$500m issue for Toyo Sash came with an indicated coupon of 4% per cent. The par-priced bonds were quoted by Nomura International, lead manager, at less % bid, well above underwriting fees of 2% per cent. Nomura also led a \$250m deal for Furukawa which was trading at less % bid, well inside

ees. Nikko Securities was the ead manager of a \$150m issue for Nippon Paint which was trading at 190% bid, a small premium to the par issue price. In Switzerland yesterday, a two-tranche convertible issue for Fuji Bank was brought by Swiss Bank Corporation. A SFr300m tranche was offered to public subscription with an indicated coupon of ½ per cent and a yield to put of 2 per cent, while a SFr500m zero-coupon private placement came with an indicated yield to put of

around 2% per cent.

The quiet conditions on the Tokyo equity market meant that both issues had subdued receptions from investors. Some co-managers were apparently willing to accept losses on their allocations rather than hold the paper.

Both tranches were trading

Both tranches were trading well outside underwriting fees. The public bonds were quoted by the lead manager at less 3% bid, against fees of 1% per cent, while the private tranche were at less 4 bid, against fees of 1% per cent.

			-				
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•	150	(4%)	100	1993	12/4	Nikko Secs.	
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Gerinvest NV 9 50 94 101.8 1697 ½/2 Merral Lynch

With equity warrants. \*\*\*Private placement. (Convertible practice price is re-fixed after 3 year

b) Convertible practices enteres. Put to yield 11%, issue amount increased from 60m to 64m, c)Send-annual coupt

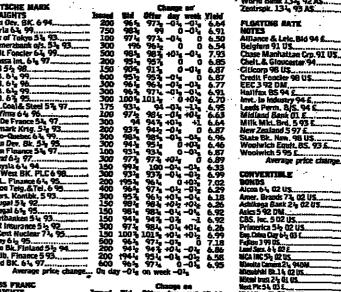
d) indicated put option 30/8/92 at 108% to yield 2.952%, e) indicated put option 30/9/91 at 104% to yield 2.05%. f) Priced

bid price of outstanding issue on or before 28/4/89, g) indicated put option 31/3/91 at 102% to yield 2.0%. h) indicated put

option at 1/4/% in yield 2.55%.

### FT INTERNATIONAL BOND SERVICE

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Listed are the latest inter-	nation	al ber	ds for	which t	here is	an adequate secondary marke	<b>.</b> .					
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\* No information available-previous day's price

† Only one market maker supplied a price

Straight Bords: The yield is the yield to redescribt on of the mid-price;
the amount issued is in militions of currency units except for Yen
bonds where it is in billions. Change on week = Change over price a
week earlier,
Floating Rate Notes: Denominated in dollars unless otherwise indicated. Compon shown is minimum. Cate = Date next coopen becomes
effective. Spricad = Alargia above six-month offered rate (tibremonth; Sabove mean rate) for US dollars. Cane a The current

ments, Ashove mean rate) for US dollars. C.con = The majors, we take the condition of the c

The Figure 1 Times Ltd., 1989. Reproduction in whole or in part to gar the most recent price of the shares.

The prices over the past week were supplied by: Bankers Trust International; Krediethank N.V.; Commerzbank AG; Dentsche Bank AG; Westdent Landesbank Girozentrale; Bank Generale du Lanembourg SA; Bank internationale Limembourg; Krediethank Limembourg; Algentene Sank Neder NV; Pierson, Heldring & Pierson; Credit Salsse; Bank of Tokyo International; Chemical Bank International; Citicorp international Bank; DE Europe NV; LTCB International; Robert Fermining & Co.; Goldman Sachts International Corporation; Hankers Bank; BJ International; Middo Securities Company (Europe); Normara International; Sanwa Montana (Sanwa Montana G. Sanwa Mon

### INTERNATIONAL CAPITAL MARKETS

# Fuji Bank plans global share issue

FUJI BANK, Japan's third largest, yesterday announced an international share issue and a total of SFr800m in convertible bonds as part of a big capital raising programme.

The share issue, which Fuji claimed was the first of itskind by a Japanese bank, con-sists of 10m shares which will be offered to investors outside Japan, other than in the

The shares will be priced at a discount of 8.5 per cent from their closing price in Tokyo on April 28. The issue is being lead managed by Yamaichi International (Europe). Mr Toru Kusukawa, Fuji's

to head LIT's

By Katharine Campbell

European drive

LIT Holdings, the acquisitive transatlantic financial services group, announced yesterday the appointment of Mr G.H.

Chamberlain as executive

director of LIT and chairman

and chief executive of LIT

Europe, the futures and securi-ties broking subsidiary, with effect from May 2.

Mr Chamberlain, who until last year headed the equities

and derivatives products divi-

sion of Shearson Lehman Hut-ton in London, will also be responsible for improving the

group's performance in Europe

in the run up to the creation of a single market-place in 1992.

investment management, cor-porate finance, and personal

LIT Europe, currently dwarfed by the profitable LIT

America active on the Chicago

derivatives markets, is never-

theless a large clearer of locals

business on the London com-

Its activities on the London

Traded Options Market, through LIT Securities, have

been limited, although the

operation is keen to expand its institutional client base, help-

ing to dispel memories of Bai-

ley Shatkin, the private client

options broker subsumed by

chairman of LTOM since 1987,

of LIT's operations.

Mr Chamberlain has been

financial management.

modities markets.

LIT's operations include

New executive

deputy president, said the com-bined issues, which will raise a total of about Y100bn, were part of Fuji's drive to build up its capital in anticipation of the new international regulations which come fully into force at the end of 1992. He said Fuji's capital ratio on March 31 was about 10 per cent based on the interim for-mula adopted by the Japanese authorities, but it would be lower under the final rules.

Puji was confident that it would meet the new requirements, Mr Kusukawa said. Fuji's move is expected to be

The rules set a minimum of 8

followed by other leading Japa-nese banks, most of which have also listed their shares in Europe in recent years and are in need of capital infusions.

The issue follows the listing last year by Fuji of its shares on the London and Paris markets, and growing interest among European investors in its stock, according to Mr

The convertible bond issue is a combined private placement of SF7500m of bonds and a public offering of SFr300m. The issue will be priced at 100 with a yield to be determined at a future meeting of the bank's

The bonds will be convertible at 105 per cent of the shares' closing price on April 28, between June 1 this year and September 22 1993. The public placement is being managed by SBC, Crédit Suisse, UBS and Fuji Bank (Schweiz).

Last night, Fuji's shares closed at Y3,350, giving the issue a potential value of Y22ha

Fuji is not making any formal profit forecast in connec-tion with its share issue. But Mr Kusukawa said the 1988-89 result would be above the Y160bn forecast made at the time of a domestic rights issue

# Spanish bourses come on line

Kusukawa.

By Peter Bruce in Madrid

SPAIN'S four stock exchanges took their first hesitant steps towards a radical reform of the country's capital markets yesterday by introducing continuous computerised trading for

the first time. An inevitable computer failure in the morning took some shine off the proceedings but four of the five stocks chosen to start the Canadian designed Cats (computer-assisted trad-ing system) made healthy

recently recovered steelmaker, and Papelara Espanola, the

The selected issues included Motor Iberica, Nissan's Span-ish affiliate, Altos Hornos, the

Brokers in the four markets - Madrid, Barcelona, Valencia and Bilbao - reported some confusion initially but most were pleased with the easy access they had to trading information. At the moment, Spanish

shares are traded in 10-minute

lots. Share prices vary between the markets and there are fears that arbitrage between the markets under Cats is also likely to suffer. The Bilbao market in particular fears it may lose out as market making under continu-ous trading might tend to con-centrate on Madrid. Brokers in

Bilbao have threatened to boy-cott Cats next month in protest

at what they see as the marginalisation of their bourse. The fact that leading Basque banks have begun to take posi-tions in Madrid-based broker-ages ahead of the total market reform planned for July 29 has not helped ease these fears. The full introduction of Cats

will also bring an end to most after-hours trading in Spain and as the system functions from 9am to 5pm final market indices will be published much

At present, the five continuously traded stocks represent around 2.4 per cent of the Madrid market but it is planned to add new shares gradually until they are all on the system.

# First Boston to axe 200 jobs

FIRST BOSTON, the Wall was completed last December. Street investment bank, yester-day announced it was cutting 200 jobs across the company, reflecting difficult conditions in the securities business. Mr William Mayer, president

and chief executive officer of First Boston Corp, the New York arm of the CS First Boston group, said the company was trying to be realistic about the market environment. The US operation has shed about 1,000 jobs since the October 1987 stock market crash Mr Mayer said the job losses

were purely a reflection of and his experience in equities trading conditions and were not related to the restructuring of the group as a whole, which derivatives will be valuable in expanding the securities side

He reaffirmed in an internal memorandum to employees that First Boston remained committed to all sectors of its

Most leading Wall Street investment banks have been trimming back staff in response to difficult trading conditions in securities mar-

First Boston also announced that Mr Michael Goldberg had joined as co-head of its mergers and acquisitions department. He will run the section from June 1, with Mr Robert Cotter and Mr Michael Koeneke. Mr Goldberg is currently a partner with Skadden, Arps.

Slate, Meagher & Flom, a leading New York firm of attorneys in the mergers and acquisi-tions field.

• Some former employees of L.F. Rothschild, the troubled Wall Street investment bank. have filed a class action suit against the company alleging unfair dismissal under the new Federal plant closing

The suit alleges the company failed to give the necessary 60 days' notice required under the new law, passed last year and effective in February, before firing 250 to 300 employees in its mortgage-backed and corporate bond areas last

### **NYSE** to consider trading after hours

By Janet Bush

THE New York Stock Exchange is considering trad-ing stocks electronically out-side floor trading hours but has no concrete plans at this stage, according to offi-

They said the exchange would discuss possibilities with a range of members and customers in the next month to see if there would be any demand for 24-hour trading. Futures exchanges such as the Philadelphia Stock Exchange and the Chicago Board of Trade have already run evening sessions in an attempt to capture overseas

In January, Philadelphia introduced an early Friday morning session starting at 4.30am, supplementing a four-hour evening session.

The board has been running an evening session for 18 months and is also considering an early morning opening. These trends not only reflect the increased interdependence of US and overseas markets but also a need among exchanges to find more sources of revenue because of

the sharp decline in trading volume since the October 1987 stock market crash. A number of steps have also been taken towards electronic as opposed to floor, trading. The board is planning an ele tronic auction system called the Aurora, and the Chicago Mercantile Exchange has developed an electronic order matching system with Reuters

Holdings called Globex. Representatives from both Chicago exchanges had discussions with Mr John Phelan, NYSE chairman, last week about their new systems. Mr Richard Grasso, NYSE chief operating officer, said it would be six to 24 months before any plans were

sketched out.
He said: "To the extent that a customer has a need in the off-hours, this institution has a commitment to meet that

The largest potential stumbing block to setting up an electronic system off the floor may be opposition from spe-

# Frankfurt kept in check by concern over inflation

By Katharine Campbell in London and Janet Bush in New York

MR Theo Waigel, the new German Finance Minister, was sufficiently confident to inject a little unaccustomed humour into the withholding tax debate yesterday, by joking — in a reference to a newspaper car-toon rendering of the unpopu-lar tax — that the monster would not be around much lon-

Optimism that the recently

### GOVERNMENT BONDS

imposed 10 per cent deduction will indeed be repealed contrib-uted a positive tone to a quiet market in Frankfurt, although concerns about possibly poor domestic inflation data expected during the week, as well as some currency weakness against the dollar, put a lid on too much upward progress.

At the fixings in Frankfurt,
the 7 per cent 10-year federal

bond was priced 25 pfennigs up on Friday's fix, at 101.40 to yield 6.80 per cent, a 4 basis point improvement in yield. On a quiet day on the London futures exchange, the 10-

US TREASURY

CANADA '

NETHERLANDS

JAPAN No 111 4.600 No 2 5.700

13.500 9/92 9.750 1/98 • 9.000 10/08

6.7500 10/98

8/98 3/07

8.875 9.000

year bund June contract fin-ished at a level of 94.34 com-pared with 94.50 on Friday.

THE withholding tax effect has meant that the yield spread of Dutch bonds against comparable German paper has widened to around 25 basis points, which encouraged some switching out of bunds into Dutch stock

Dutch stock. The Dutch market is also slightly depressed by supply concerns. Terms on the new 7 per cent 10-year state loan will be announced today. Dealers expect a fairly small issue amounting to around Fl 2bn, priced under par with a yield of around 7.08 per cent.

THE French market opened stronger with moderate activity, helped by firmness in the French franc. The tap stock 81/4 per cent due 1999 was quoted at around 95.87, which represented an increase of 30 centimes on Friday's closing prices. But the prospect of important French and US sta-

Week ago

BENCHMARK GOVERNMENT BONDS

London closing, "denotes New York closing
Prices: US, UK in 32nds., others in decimal

Price Change Yield

95.5366 -0.265 5.32 105.8146 -0.199 5.08

6.375 11/98 96.9000 -0.100 6.82 6.91 6.94

10.250 12/98 100.1500 -0.225 10.21 10.37 10.64

12.000 7/99 92.2902 + 0.131 13.39 13.65 13.63

106-08 +9/32 11.23 11.02 96-08 +2/32 10.41 10.25 96-18 +6/32 9.39 9.29

98-07 -1/32 9.15 9.24 98-27 - 8.98 9.08

96.3239 -0.017 8 97 8.93 95.7450 +0.160 8.77 8.83

tistics later in the week out of the market.

The official close on Matif, the futures exchange, was 106.52 compared with 106.46 in late trading on Friday.

UK gilt-edged securities dealers are largely sitting on their hands in anticipation of Wednesday's current account figures for March.

The market is not expecting much change on the £1.7bn deficit for February. At the same time, these sorts of figures would probably not provoke a base rate increase - particu-larly given the political pressures of forthcoming local authority elections.

Gilts opened between % to % of a point firmer, as a result of a little overnight buying. together with some short covering in advance of Wednesday. There was little movement during the day, with cash prices closing roughly a of a point firmer.

US Treasury bonds started the week quietly yesterday, trading in a narrow range ahead of a string of economic releases starting with today's March durable goods orders.

In late trading, prices were quoted around \( \frac{1}{2} \) point lower at the short end of the yield curve. and as much as  $\frac{1}{10}$  point higher at the long end.

The Treasury's benchmark long bond was quoted unchanged for a yield of 8.98 per cent.

Durable goods orders declined 3.6 per cent in February and a 1-2 per cent gain is the consensus forecast for March. Tomorrow sees the release of preliminary firstquarter figures for GNP along with the usual inflation mea-

### Belgian Government studies Ecu issues

97.7250 -0.100 7.08 7.06 7.09

THE Belgian Finance Ministry is considering the issue of short-term Treasury certifi-cates in ECUs later this year, but technical details are yet to be studied, a ministry official said, Reuter reports from

He said the move was being

considered partly to improve the management of public debt, but also as an element in the government's drive to pro-mote Brussels as a financial centre. The ministry was looking at the example set by the British Treasury's Ecu issue of one-, three- and sixmonth Treasury bills. The first auction of a new long-term Belgian franc instrument, a fungible bond, is to be held on May 25. Under the system, a single bond issue with fixed terms for maturity and coupon is auctioned at regular

### **LONDON MARKET STATISTICS**

""... RISES AND FALLS YESTERDAY

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FT-ACTUARIES SHARE INDICES										
These indices are the joint compilation of the Financial Times,										
the Institute of Actuaries and the Faculty of Actuaries										
EQUITY GROUPS Monday April 24 1989 Fri Apr Apr ago (approx)										
& SUB-SECTIONS  Est. Gross Est. py adl.										
Figures in parentheses show number of stocks per section	Index No.	Day's Change	Yield% (Max.)	Yield%	P/E Ratio (Net)	ad ad. 1989 to date	index No.	index No.	Index No.	ladex No.
1 CAPITAL GOODS (207)			10.79							
2 Building Materials (29)	1153.70	+0.2	21.83							
3 Contracting, Construction (38)	2725 E6	+0.4	13.12 8.69						1702.86	1583.71 1983.72
4 Electricals (10)	5091.51	-8.1	9.08							1534.24
6 Mechanical Engineering (54) 8 Metals and Metal Forming (7)	494.02	-0.2	10.56							
8 Metals and Metal Forming (7)	533.41	. Pellipses	14.39			0.00	533.53			
9 Motors (17)	305.44		12.07							
10 Other industrial Materials (22)	1550.01	-0.1	9.34		12.76	21.63		1556.93		1234.41
21 CONSUMER GROUP (186)	1774.TT	+0.2	7.18 18.84		13.78 12.68	8,80 9,88		1179.36 1289.77		
25) Food Magnifacturing (20)	17074 64	-0.4	9.85		12.79	11.32				864.57
26 Food Retailing (15)	2131.35	+1.7	8.75		15.85			2079.08		
27 Health and Household (14)	2272.83	-0.2	6.28	2.57	18.20	9.00		2273.72	2303.02	1763.76
29 Leisure (33)	1573.96	+0.1	7.71			14,64			1598.31	
31 Packaging & Paper (16)	563.48	+0.2	10.22		11.92	6.99	562.48		568.72	
32 Publishing & Printing (18)	3466.81	-0.1 +0.3	9.45 11.45			32.54	3471_28 768.78	3491.39 764.62		
26  Yavelley (15)	\$31 AC	+0.3	31.93		10.16	1.63 0.60	520.21		770.79 525.44	,
35 Textiles (15) 40 OTHER GROUPS (94) 41 Agencles (18)	1050.41	+0.1	18.30		11.84	8,71	1049.39		1967.00	
41 Agencies (18)	1254.27	+0.7	8.47	2.72	15.10	13.24		1254.31		1139.15
47  Chamicak (22)	17 195.RI	+6.1	( - 21.17	4.93	- 10:76	21.34	1194.25	1196.21	1206.15	984.31
43 Conglomerates (11)	1515.63	+8,6	10.69	4.85	11.46	_ 5,17		1516.19	1539.72	
45  Transport (13)	2360,26	+0.1	8.44	3.65	1523	20.16		2368.44		1075.99
47 Telephone Networks (2)	1745E D3	-0.3	10.82 10.86	4.33	12.62 18.47	0.60 21.21		1989.00 1438.55	1119,47 1457.50	943.28 1117.09
49 INDUSTRIAL GROUP (487)	TABL 97	+6.1	9.91	4.00	12.48			1896.83	1111.09	
51 011 & Gas (13)	2005 41	+8.2	9.93	5.54	12.93	9,68		1995.74	2064.17	932.65 1823.96
59 500 SHARE INDEX (500)	7177		9.91	4.20	12.54	~41_32				
JT DEU BRAKE INVEX COUV	724 61	+0.1 -0.1	7.71	5.31	14.34	12.67		_		
62 FINANCIAL GROUP (123) 62 Banks (8) 65 Insurance (Life) (8)	708.75	-0.1	25.15	6.72	5.22	13.96 29.35	724.79 709.12	727.37 709.51	732.99 721.66	663.93 614.88
65 Inturance (Life) (8)	1838.07	-8.5		5.75				1046.61		973.99
66 legurance (Composite) (7)	572.17		`-	5.96	- 1	13.65	578.63	576.57	576.45	534.66
43 Incurance (Beshaut) (7)	24 770	-0.1	9.02	6.76	24.78	26.01	931.72	931.83	936.33	888.19
68 Merchant Banks (11)	332.14			4.51	-	3.43	332.14	334.67	336.58	346.57
68 Merchant Banks (11) 69 Property (52) 70 Other Financial (30)	1471.42	•••••	5.94 10.03	2.78	21.36 12.54	4.54	1291.14	1307.68	1317.66	1150.68
71 Investment Trusts (73)	100/ /5	_ <del></del>	14.03	5.71		4.83	367.32	367.07	369,36	387.83
		-13	9,89	2.86 3.99	12.15	7.08 19.45	1096.93 646.29	1098.30 648.63	1163.91 654.35	865.15 459.78
S1 Mining Finance (2)	1372.02	+9.5	9.70	5.06	11.94	15.93	1364.82		1396.96	
99 ALL-SHARE INDEX (706)	2063.66	+0.2	- 2.20	4.32	-	12.05	1063.01	_	1076.35	916.25
77 ALL-SMAR MUEA (1 40 minumum										<u> </u>
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	FIXED INTEREST							AVERAGE GROSS REDEMPTION VIELDS	Mon Apr 24	Fri Apr 21	Year ago (approx
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British Gas  1 5 years  2 5-15 year  3 Over 15 y  4 irredeem  5 All stocks  lader-Link  6 5 years  7 Over 5 year	s s s s s s s s s s s s s s s s s s s	71.11 30.08 32.29 31.64	+0.14 +0.16 +0.52 +0.15	132.28 131.64	-	3,93 4,48 5,33 1,51 4,44 1,36 1,28	67 89 10 11 12 13	Mediam 5 years. Coupons 15 years. 25 years. High 5 years. Coopons 15 years. 27 years. Arreseemables. Index-Linked.	10.87 9.76 9.30 10.98 9.98	10.91 9.78 9.32 11.02 9.99 9.48 9.13 3.86 3.65 2.89	9.2 9.4 9.2 9.5 9.2 9.2 9.0 2.4 3.6
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### **LONDON TRADED OPTIONS**

Business in the Index options

contract was in tune with general money market conditions, amounting to 4,220 contracts comprised in 2,640 calls and 1,580 puts. The most actively traded of

the index options series was the

April 2100 call, which saw 1,271 contracts, and an opening of interest in it of 912 contracts to

TURNOVER in the London Traded Options Market yesterday reached the exceptionally low total of 18,748 contracts — about half that which might be considslackness of activity lay by gen-eral market agreement in the approach of publication of the UK

approach of publication of the Unoverseas trade figures for March, due out tomorrow.

A slightly lower turnover than yesterday's was seen on December 28, during the Christmas and New Year holiday lapse in activity. The overall business was split. ity. The overall business was split into 11.895 call contracts and

6,853 put, as the FT-SE 100 Index itself gained 1.0 per cent on bal-

3,324. There was an opening of position of 377 contracts to 1,724 contracts in the June 2.050 calls. TSB perhaps expressed best the mood of the market. It was the most heavily traded individual stock, on 1,499 contracts, consist-

ing of 899 calls and 600 puts, though the underlying share price of the stock was unchanged on

balance, at 107p. One major house appeared to handle a set of dealings, aimed at the idea of the underlying share price holding sufficiently steady to allow retainment of premium. Some 252 contracts overall in the September 110 calls saw a closing of interest of 95 contracts to 387, while 516 contracts in the September 120 calls brought an open-ing of 191 to 1,114, as the September 130 calls attracted an opening of position of 120 contracts to 1,347.

Plessey saw 1,307 contracts, made up of 676 calls and 631 puts. Cadbury also attracted some attention, on 1,179 contracts. tracts, consisting of 1,079 calls and 100 puts.

				_							CALLS		-	, . <u></u>		
Option		Jul			أجار	PUTS Oct		Option		Jai				PUTS Oct		CALLS PLITS Option May Aug Nor May Aug Ner
Alid Lyons (*439 )	420 460	29			12 36		19 43	Storehouse ~ (*169 )	140 160 180	16		38 25 15	21 <sub>2</sub> 9 22	4 12 25	5 13 26	Scot. & New 280 14 25 33 5 12 15 (*286) 380 5 16 22 17 26 28 Tesco 140 30 36 40 1 2 3
Brit. Airway (*188 )	s 160 180 200	14	35 19	24	1½ 6 21	3 9 22	12 24	Trafalgar (°376 )	360 390	25 11	40 22	46 28	12 28	17 32	21 38	(*169) 1e0 10 17 24 2 5 7 130 2 6 10 14 15 16 Option May Sep Dec May Sep Dec
Bril Com (*201.)	200 220 240	4	18 9	22 13	11 26 46	14 28 46	15 30	Utd.81scalts (*322.)	300 330	28 12	41 23	47 30	8 23	11 24	13 27	Vani Reefs 80 bly 10 12 2 4 b (*582) 90 2 412 612 9 11 13 Option Jan Sep Dec Jan Sep Dec
Beecham (*628 )	600 650		73 47	90 63	21 47	27 53	32 58	Uniterer	360 500	5 55	12 75	- 88	47 5	48	12	Amstrad 120 11 17 20 6 8 11 (*122.) 130 6 12 17 12 14 15
Boots (*280 )	260 280		35 24		14	18 18	11 22	(°539 ) Ultranar	550 300		41	56 54	24 15	27 20	31 28	140 342 9 12 19 21 21
B.P. (*283 )	280 300		24 14½	33 22	7½ 19	12 22	13 26	(*310 )	330	15	27	36	32	36	40	Barcleys 390 54 66 - 11, 4 - (*434') 420 28 42 50 6 13 15 460 6 18 27 28 35 36
Britaish Steel (*83 )	70 80 90	14b 34 14	15 81, 41 <sub>2</sub>	19 13 8½	11 61 14	3½ 8¼ 15	91 <sub>2</sub> 91 <sub>2</sub>	Option		May	Ang	Nav		Ang	Nov	Blue Circle 460 66 84 - 4 9 - 1516 1 500 36 54 68 13 20 23 550 12 28 42 38 44 46
Bas. (*918 )	900 950	57 30	60 90	100 77	23 50	30 55	40 57	Brit Aero (*555 )	500 550 600	58 21 5	81 45 23	98 60 42	212 15 52	12 28 57	28 41 68	Bnikh Gas 160 24 25 27 1, 1 3 31, (*150) 180 7 1, 101, 15 51, 10 12 200 11, 3 7 211, 24 25
C & Wire (*492 )	420 460 500	65 53 28	100 63 46	113 83 58	3 11 27	8 15 32	11 22 37	BAA (7369 ) BAT Inds	330 360 390 500	42 16 3 40	29 13 63	284 25 75	112 23 312	15 30 10	19 33	Dispres 130 24 28 - 21 <sub>2</sub> 6 - (*149) 140 16 21 27 6 95 12 160 8 12 18 16 20 22
Cons Gold P1285J	1250 1300 1350	120 90 70	145 115 95	160 140 100	60 80 110	70 100 135	85 120 165	(*535 )** BTR	550 600 330	142 34	31 13	746 25 55	23 67 1	30 69 31,	16 38 72 8	Glaso 1300 112 164 185 15 25 38 (*1370) 1350 77 130 152 32 47 57
Coertaulés (°315 )	280 300 330	39 22 7	45 32 17	52 39 24	5 11 27	8 14 30	25 19 10	(*362 )	360 390	112	26 12	35 20	7 29	12 30	17 33	1400 47 100 124 57 70 80 Hawker Sidd. 600 84 103 112 8 20 20 1678) 650 45 70 77 27 32 40
Com. Union (*373 )	330 360 390	% \$2 \$3	36 22	48 32	2 8 22	14 30	16 30	Brit. Telecom (*263 )	240 260 280	24 7 2	30 14 51 <sub>2</sub>	22 12	1 3 18	31 <sub>2</sub> 11 22	12 25	700 16 47 55 52 59 65 Hillsdown 240 24 33 - 31, 5 - C260 260 11 20 27 11 14 15
G K.N.	360	z	36	#4	13	18	20	Cadhury Sch (°342 )	300 330	44	55 31	- 41	ı,	212		280 4 11 15 26 27 28
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C   (*1176)	1100 1150 1200	115 80 50	135 100 72	135 107	14 30 55	28 47 70	50 74	GEC (*232 )	220 240	Ξ	22 11	30 18	-	17	12 20	R Royce 160 23½ 32 35 2 4 5 (*179) 180 10½ 17½ 22 8 10 14 200 3½ 8½ 12½ 23 24 25
Jaguar (*299 J	280 300	18 35	42 30	52 40	. 7 14	13	13 24	Harson (*185.)	180 200	8 1	13 41 <sub>2</sub>	20 10	2 16 1	6 181 <sub>2</sub> 1	7-2 19:	Sears 120 5 10½ 13 6½ 8½ 10½ (*121.) 130 2½ 6½ 9 14 16 17
_						_		LASMO (°451 )	403 44)	53 22	68 43	80 55 38	21: 15	10 27	30 18	THF 280 17 25 34 8 12 14 1234 300 7 15½ 123 20 23 24
Kingfisher (*290 )	280 300	18	26 14	34 23	19 22	12 25	15 27		479	4	25	38	40	50	52	Thorn EMI 600 75 82 - 4 8 - (%663) 650 35 45 60 16 24 28 700 9 23 25 52 60 64
Cadbroke (*550 )	550 600	26 9	46 23	<u>54</u>	24 61	30 62	3 <u>4</u>	P. & O. 1°657 )	650 700	62 23 4	87 52 25	67 45	12 45	7 20 47	25 52 8	TSB 100 11 13 16 2 3 4 (*107) 110 4 6½ 10 5 7½ 8 Wellcome 460 41 60 72 10 16 22
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74 & S	160	въ. 2	14	18	6	8	9	Plessy (*261 )	240 260 260	25 11 41;	312 15 7	36 22 12	2 7 21	51, 10 23	7 12 24	FT-SE INDEX (* 2063) Apr May Jun Jul Apr May Jun Jul
(*162 )	120	Ž	612	812	23	24	25	Prudential (*175.)	160 180	18 4-2	23 11	27 15	7	31 <sub>2</sub> 11	6 14	1850 214 228 245 - 12 5 7 - 1900 164 180 198 215 1, 7 11 15 1950 114 135 155 172 115 13 17 25
STC (*311 )	280 300 330	45 29 13	52 40 23	63 51 33	12 26	8 14 29	11 18 31	P1	300	ΤŲ	4	7	25	26	27	2000 66 92 115 134 41, 20 28 37 2050 25 57 80 100 14 37 46 52 2100 61, 34 55 73 48 62 73 77
Salestary (*235.1	220 240	20 9	29 16	36 23	4 14	6 16	7 17	Racal (*397 )	340 340 420	41 18 3	52 33 18	68 49 31	2 27	17 25	12 22 39	2150 112 18 36 50 93 100 105 108 2200 1 9 20 33 143 145 148 149 April 24 Total Contracts 18,748
Shell Trans (*405 )	369 390	31	66 36	74 52	Ē	13	15	R T.Z. (*315.)	460 500	ور ک	73 45	63	8	.7 18	27	Calls 11,895 Paris 6,853 FT-SE Index Salts 2640 Paris 1580 "Materialian Secreta Incre

### **UK COMPANY NEWS**

Threads, clothing, homewares and fabrics make up for loss in office supplies division

# Hunted Tootal advances 5% to £42.3m

TOOTAL GROUP, the textile company being stalked by Mr Abraham Goldberg, Australian industrialist, yesterday announced a 5 per cent rise in pre-tax profits from £40.29m to £42.29m in the year to January

The figures were at the bottom end of analysts' forecasts. The share price rose 3p to 130p. The results were held back by difficult market conditions in the fabric division, continsupplies business, and the strength of sterling. Without currency movements, the underlying profit growth would have been 13 per cent. £491.55m (£503.8m) following currency movements and the withdrawal from non-core businesses. Turnover of the remaining businesses

increased by 6 per cent.
Earnings per share fell from
11.3p to 11p as a result of the ased number of shares following the rights issue last year. The dividend was increased by 8 per cent to 4.85p

The thread division remained the company's biggest earner with profits of £20.98m (£19.10m) on sales slightly reduced at £193.65m

DIVID	ENDS	ANNOUNCED					
	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year		
Albany Invest Trfin	2.1	June 30	1.65	2.8	2.25		
Aliled Lndn Propint	1.075	-	0.9	-	2.75		
Barlowslin	1.5	-	0.75	2.25	0.75		
Brit Empire Secsint	0.25	-	0.2	-	0.66		
British Fittingsfin	5.25	-	3.469°	6.385	4.5*		
Haden MacLellanfin	3.5	July 1	1.8	5	2.5		
JMD Group §fin	លវេ	-	0.5	níł	0.5		
Jones Groupfin	7 <b>4</b>	•	6.5	10	9.5		
Lowland Investint	Ž	-	1.6	-	5.3		
Flumb Holdings Sfin	3.25	-	3	5	4.25		
Scruttons &fin	9	-	4.25	14	6		
Tootal Groupfin	3.05†	-	28	4.85	4.5		
Ulster TVint	2.5	June 27	2	-	4.75		
W A Holdingsfin	0.8511	-	0.8	1.5	1.2		

Dividends shown pence per share net except where otherwise stated "Equivalent after allowing for scrip Issue, t'On capital increased by rights and/or acquisition issues, §USM stock. §SInquoted stock. ♦Third market. \*Shares traded on a matched bargain basis on Granville Independent Companies Exchange. Prish pence throughout. †Special interim of 0.37p payable to accepting shareholders if bid goes through

### PUBLIC WORKS LOAN BOARD RATES

	Effec	tive Ap	r# 21			
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1			125			13%
Over 1 up to 2	12 <sup>1</sup> 2	12 <sup>1</sup> 2	11%	13 <sup>1</sup> 2	131 <sub>2</sub>	1258
Over 2 up to 3	1218	12	1112	131g	13	1214
Over 3 up to 4	11 4	1158	1114	1234	125	12
Over 4 up to 5	1112	1112	11 <sup>1</sup> 8	1212	1212	11%
Over 5 up to 6	113	113	111	11%	11%	1158
Over 6 up to 7	113	1114	11	11%	1134	1112
Over 7 up to 8	114	11 <sup>1</sup> 8	10%	1134	1158	1138
Over 8 up to 9	11 lg	11 <sup>1</sup> 8	1034	115 <sub>8</sub>	115	1114
Over 9 up to 10	111 <sub>8</sub>	11 <sup>1</sup> 8	10 <sup>1</sup> 2	115	1158	11
Over 10 up to 15	11	1012	10	1112	11	10½
Over 15 up to 25	10½	9%	95 <sub>8</sub>	1034	103	101 <sub>8</sub>
Over 25	934	95	912	10 <sup>1</sup> 4	1018	10

"Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

The clothing and homewares business shrugged off the diffi-cult UK retail environment to increase trading profits by 25 per cent to 26.91m. The company said it had benefited from its enhanced design skills and

flexible sourcing.

Mr Geoffrey Maddrell, group chief executive, said the division was expecting further progress this year although the market was difficult and order backs was tight. books were tight.

Profits in the fabric division

fell from £10.07m to £8.18m, reflecting a squeeze on mar-gins in the batik business in West Africa, which accounts for about half of the division's sales. Mr Maddrell said that difficult trading conditions were expected to persist this

office supplies division, which went from a profit of £2.02m to a loss of £1.01m. This followed the introduction of new systems and controls which proved more expensive and took longer than expected. In addition, the business incurred increased costs in anticipation of expansion, which could not materialise until the systems were work-

The results were hit by the



Geoffrey Maddrell: expecting difficult trading to persist

ing. Further costs were incurred in setting up cash and carry outlets on a trial basis. Mr Maddrell said the division expected to return to profit

The reported profit from the specialised materials division declined from £6.87m to £4.89m, as a result of the sale of Codi,

increased from £15.6m to £20.7m. Interest costs decreased from £8.84m to

# Mr Goldberg, who has been

1988

**Tootal Group** 

Share price (pence)

buying shares since last Autumn, increased his stake in Tootal to 24 per cent earlier this month. He staged an unsuccessful hid for the comas a result of the sale of Codi, which contributed £2m to prof-its last year.

Capital investment was

Capital investment was

# Haden MacLellan in £20m recommended bid for WA

HADEN Holdings, the diversified indus-Holdings, the diversified industrial group headed by Mr Philip Ling, is to widen its distribution network with an all-share recommended offer for WA Holdings, valuing the group at \$20.1m.

Haden also unveiled pre-tax profits of £11.1m for the 12 months to December 31, the first full year since Mr Ling

first full year since Mr Ling reversed two private compa-mes into P & W MacLellan and started expanding by acquisi-tion. Earnings nearly doubled from 7.7p per share in 1987, to 15.1p last year.

The group is offering nine new Haden shares for every 40

held in WA, which distributes a wide range of industrial prod-ucts, plastics and nursery products. Another of WA's subsidiaries organises and manages conferences, but Mr Ling, Haden's chairman, said vesterday that it might not be

retained.
"The attraction is the distribution side," he said. "Our distribution companies are cen-tred in the south (of England) - theirs are all towards the Midlands and the north."

The bid, heralded last week, when WA issued a holding announcement, values each WA share at about 51.1p, compared with yesterday's closing price of 49p, up 8p. Haden

MACLELLAN shares rose 1p to 227p. diversified indus-£179m at Haden MacLellan. The board is recommending a final dividend of 3.5p, making

5p for the year - twice the 1987 figure The US paint finishing side lost £1.95m as major clients cut-back on capital expenditure following the 1987 stock mar-ket crash. But Mr Ling said orders had recovered strongly in the second half of the year.

Haden also took the first orders for its Drypure process-ing system, which treats harm-ful sludge by-products of paint spraying. The group announced yesterday it would spend up to \$950,000 (£557,000) for a 15 per cent stake in Meridian, a US chemical waste treatment company, and a one third stake in a Meridian subsidiary, which will set up and manage a network of regional

Drypure processing centres.

WA revealed it had increased profits from 21.6m to £2.06m before tax in the year to January 29, boosted by a £512,000 exceptional profit on property sales. The company property sales. The company recommended a final dividend of 0.85p, making 1.5p (1.2p) for the year. It also intends to pay a special dividend of 0.37p to shareholders accepting the

Haden offer. Turnover rose from 22im to

180,000 so ft with a value on completion of around

METAMEC JENTIQUE: interim

pre-tax profit for six months to

end-December 1988 £26,283

(£6,155 loss) for earnings per

share of 0.33p (0.08p losses). Loss carried forward £297,000

The company said progress

had been made in finding

acquisitions with intention of

226m and earnings per share from 3.02p to 4.45p. The group decided to close its M E Mechanical Handling subsidiary and provided £485,000 below the line for the closure. offset by £300,000 received in settlement of a damages claim

**e** COMMENT

Haden MacLellan's past does not provide potential investors with many clues as to its future prospects. Comparison with last year's pre-tax profits of £1.9m — which included only two months of the merged group — are meaningless, but now nobody seems to know-quite how to assess the expanding company, which makes or distributes products makes or distributes products as diverse as stainless steel toilets and, with yesterday's acquisition, pushchairs. If Mr. Ling is to be believed, the pioneering Drypure process could eventually contribute as much as the rest of the group put together. That and the spread of the existing business should provide a measure of defence against hiccurs like that at the against hiccops like that at the US paint finishing operation last year. Profit forecasts range from £20m to £25m, putting the shares on a prospective multi-ple of between 9 and 11.5, which straddles the market average – probably one for the more adventurous investor.

# Structure revealed of new UK Goldsmith/Rothschild vehicle

By Philip Coggan

THE STRUCTURE of the new UK acquisition vehicle of Sir James Goldsmith and Mr Jacob Rothschild became slightly clearer yesterday as the details of a scheme of arrangement and rights issue were revealed.

The vehicle, previously referred to as Newco, will be

called Anglo Group. Shareholders in Anglo Leasing, the office equipment leas-ing group where Sir James' General Oriental Investments recently acquired a 37.4 per cent stake, will be offered shares in Anglo Group on a one-for-one basis under a scheme of arrangement. Anglo Group will retain Anglo Leasing's listing.
Anglo Group will make

acquisitions via further new companies (also referred to as Newco) in which Anglo itself will hold stakes of at least 20

per cent and, depending on the company, over 50 per cent. Other investors will be brought in but Anglo will retain management control and will administration charge for run-ning the acquired company.

Any new debt needed to finance the acquisition would be assumed by the new compa-nies, rather than Anglo itself. Anglo does not intend to become a conglomerate.

Companies will be acquired

"which would benefit from a more focused definition of their core businesses and an improvement in operating efficiency".

The use of separate acquisi-

tion companies will make it easier to sell on or float off the acquired businesses, when appropriate.
The company said that no

specific acquisition had been identified and it was possible that shares could be bought in more than one company before a decision was taken on which group should be the immediate

acquisition target.
The £50m rights issue of convertible bonds will be used to develop the Anglo Leasing

Anglo Leasing will pay a second interim dividend of 3.5p for the year ended March 31 1989.

### Parkdale Holdings

Acceptances have been received in respect of 13.1m shares (93.01 per cent) of the 14.1m rights offer shares offered to qualifying shareholders at 80p per

### **COMPANY NEWS IN BRIEF**

LOWLAND INVESTMENT'S interim results for the six months to March 31 1989 show net asset value at par was 212.5p (168.7p) and 211.2p (168p)

Pre-tax revenue was £886.817 (£746,293); tax took £226,350 (£209,766) leaving earnings of 2.81p (2.28p) for the 2p (1.6p) interim divi-

The directors expect to maintain last year's final dividend

MARKHEATH SECURITIES, the property developer and investor, in conjunction with Adelaide Steamship (UK) has completed the purchase of a 5%-acre site at Brentford near London's Heathrow airport. The development, the Foun-

tains Office Park, will comprise

regaining listing.

PLUMB HOLDINGS (USM-quoted shopfitter): Turn-over for year to end-January \$71.8m (£48.9m), pre-tax profit £2.5m (£2.9m), earnings per share 12.4p (14.6p); a second interim of 8.25p has been declared for total of 5p

### **BOARD MEETINGS**

The following companies have notified dated of board meetings to the Stock Emiliance Such meetings are usually head for the por pose of considering dividends. Official indice toos are not available as to whether its dividends are interings or field and the sub-

Anglo American Apr. 27 Boot (Henry) Alany 4 Berlieh Gea Jun. 8 Clectric & Newman Apr. 28 Clectric & Geometi IVV Jun. 2 Freeder Agricultural Apr. 26 Forward Bay Apr. 20 Lendu Agr. 20 Lendu Agr. 20 Lendu Lendu Lendu Lendu	Balica Bradstock Gresprint Strata Investments Williamson Tee	Jun. 15 Jun. 15 May 2 Jun. 16 Apr. 28
	British Gas  Ourides & Newman  Bectric & General lev  Feeder Agricultoral  Frederic Market leve	Apr. 27 May 4 Jun. 8 Apr. 28 Jun. 23 Apr. 28 May 3 Apr. 28 Jun. 19 Apr. 28

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Interest rate risk management 01-374-1459

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February 1989

International banking 01-374-1030

U.K. and international equities 01-374-7170

Security Pacific Merchant Bank is the business name of Security Pacific National Bank





### UK COMPANY NEWS

# Marler Estates faces full bid from Conrad Hldgs

By Paul Cheeseright, Property Correspondent

property company best known both for its ownership of foot-ball grounds and also for the regularity with which large chunks of its equity changes hands, is on the receiving end of a bid.

III

The market expects that Conrad Holdings will shortly merge as the new owner of

Talks about the terms were taking place yesterday. Trading in Marler's shares was suspended yesterday morning at the company's request, when the price was 98p, valuing Marler at £74.3m. Marler said simply that an approach had been received which could lead to a bid for

MARLER ESTATES, the the whole of the issued share Conrad, a retail property spe-cialist, television scenery maker and exhibition contrac-tor, is the new vehicle of Mr John Duggan, it has publicly expressed aspirations to develop as a broadly based

property company.

Mr Duggan used to run
Phoenix Properties & Finance
before it was bought by Monntleigh: He emerged as chief executive of Mountleigh for several highly charged weeks last autumn before one of the property industry's more spectacular boardroom disagree-ments led to his departure.

Marier has scandalised the West London soccer faithful

win Norwegian regulatory consent for the purchase.

But Mr Thompson was an 18.58 per cent owner of Conrad Holdings and it was the purchase of this stake that was partly instrumental in giving Mr Duggan his effective control of Conrad with 29.43 per cent of the equity.

Other significant shareholders in Marley and Creat Postion

with its notion that its football

grounds – those of Chelsea, Fulham and Queens Park Rangers football clubs – might

be more profitably used for property development.

It made interim profits of £2.5m in the six months to last

September. Its last published net asset value was 85.4p a

Blocks of its equity have fre-quently changed hands, lead-ing to bid speculation.

A 28 per cent stake owned by

Mr Terry Ramsden's Glen

International was bought in 1987 by Mr David Thompson, co-founder of Hillsdown Hold-

ings, the conglomerate with

interests ranging from food to

Last year he gave an option on the holding to Investa of Norway, but Investa failed to

furniture.

ers in Marier are Great Pacific Capital, controlled by Mr David McErlain, and Channel Hotels and Properties of Jersey.

**Dukeminster to** acquire Orchid Lodge for £13.5m

DUKEMINSTER, the property investor and trader, has conditionally agreed to acquire Orchid Lodge UK, which owns freehold property in London's Kensington High Street and has net assets worth some £13.5m.

Consideration will be satis-fied via the issue of 16.8m new Dukeminster ordinary shares, 18.5 per cent of the enlarged capital, at an effective price of

The new shares will be issued to Pearl Investment Company, a company domiciled in Bahrain in which the Marzook family of Kuwait has a significant inter-

The commercial and retail element of the Kensington property comprises 24,500 sq ft of offices, two penthouse apartments and seven shop units. This element is fully let on 25 year leases with five-yearly upward only rent reviews yielding a current rental income of £1.09m per annum with the next rent reviews due

The residential element comprises 41 self-contained units, all of which have been sold on 999-year leases at a peppercorn Alisop & Co, surveyor and valuer, has valued Orchid Lodge's freehold property at \$20.65m. For the eight months to end-March 1989 the company's warranted management accounts showed a pre-tax profit of £176,000 on rental

ncome of £724,000. Dukeminster, which yester-day announced a 19 per cent increase in pre-tax profits to £3.2m for the 1988 year, obtained a full stock market listing in the summer of 1988. The company is controlled by the Shohet family who came to Europe from Iraq in the early

The purchase of Orchid Lodge is subject to shareholders' approval.

### Norcros to expand print packaging division

By John Thornhill

NORCROS, the industrial manufacturing group, is to expand its print and packag-ing division through the pur-

ing division through the purchase of two companies, Douglas Labels and Quorum Technical Services, at a cost of about £2m.

Mr Michael Doherty, Norcros chief executive, said the two acquisitions would fit well with existing print and packaging operations and would with existing print and packaging operations and would
add further expertise and specialist technology.

Douglas Labels, based in
Leicester, operates in the variable data label printing market. Quorum Technical Services, based in Cheltenham,
specialises in data conversion

specialises in data conversion and typesetting.

### COMPANY NEWS IN BRIEF

J H FENNER: result of the recent rights issue showed that of the 10,451,348 new ordinary shares provisionally allotted 9,892,857 new shares (approxi-mately 94.66 per cent) were

taken up.
FINLAN GROUP subsidiary
Witting Brothers (Merchants) has acquired New Range for an initial consideration of £1.5m with further profit-related pay-

ments to a £1.3m maximum HAMBROS INVESTMENT Trust: offers for the capital and warrants in Hambros Investment Trust which it did not already own have been accepted in respect of 56.4 per cent of the ordinary, 1.3 per cent of the 3.5% preference stock, 5.1 per cent of the 5% preference stock and 74.1 per cent of the warrants.

Metalrax (Metalrax **Group PLC** Broad spectrum engineering specialists **1988** 1987 2000 £000 Turnover **52,117** 45,672 +14% Group profit before taxation 6,087 5,058 +20% Dividends per ordinary 2.73p +27% share **Earnings** 8.51p 6.94p +23% per share "I have every confidence that ... members will be very satisfied with the results for the current year."

John Wardle Chairman

25th Anniversary Report and accounts from Metalrax Group PLC, Ardath Road, Kings Norton Birmingham B38 9PN Telephone: 021-433 3444

# **Acquisitions** give **British Fittings** a boost to £5.6m

BRITISH FITTINGS Group, stockholder and distributor, reported pre-tax profits 92 per cent ahead at £5.59m for 1988, against £2.91m last time. Acquisitions contributed £1.14m to the result. Turnover, including £15.29m

(£775,000) from acquisitions, pushed ahead by 67 per cent to £59.46m (£35.68m). There was an exceptional credit of £574,000, and, after tax of £1.74m (£1.05m), fully diluted earnings rose to 20.34p (14.54p) per 20p share. The directors have recommended an improved final dividend of 5.25p (3.469p) making a total of

6.385p (4.5p). The purchase of property and new companies had

required the group to increase the facilities from its bankers. But the group anticipated that, following receipt of further property disposal proceeds, the facility would rapidly reduce in the second half from the present high level.

The distribution division had started the current year well, said the group, while the order books remained strongin the high pressure water equipment division. Should the trend continue, further progress in prof-itability was anticipated.

The group said it was committed to expansion in the US and was currently examining a variety of propositions in Europe.

### Allied London tops £5m

**ALLIED LONDON Properties** achieved pre-tax profit up from £3.46m to £5.52m for the six months ended December 31 1988 on rental income up from £4.27m to

The pre-tax profit also included other income of £1.7m (£439,000), and was achieved after interest payments of £2.53m (£1.92m) and administrative expenses of £2.78m

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An interim dividend of 1.075p (0.9p) is being paid. Barnings per share were shown as 3.62p

Commenting on the results the company said that, with the proceeds of the issue of new stock, the group was in a strong position to expand its investment and development portfolio.

Free catalogue 1989

01 799-2002 for details

# **ESSELTE** AB **Notice of Annual General Meeting**

Notice is given to the shareholders of Esselte Aktiebolag that the Annual General Meeting of the Company will be held at 4,30p.m. on Thursday, May 11th, 1989 at the offices of the Company at Sundbybergsvägen 1, Solna, Sweden. In addition to the matters to be dealt with at the Annual General Meeting in accordance with the Swedish Companies Act and the Articles of Association it is proposed to amend the Articles of Association so that the number of Board members shall be increased to a maximum of ten (instead of nine).

The Board of Directors will also propose a resolution that the record date by which shareholders in the Company must be registered by VPC in a register of shareholders or a list maintained in accordance with the 3rd Chapter 12th Section of the Swedish Companies Act, in order to participate in the dividend authorised by the Annual General Meeting will be Wednesday, May 17th, 1989. Should the Annual General Meeting adopt this resolution the date for dispatch of dividends by VPC to those shareholders who are registered with VPC on the record date is estimated to be Wednesday, May 24th, 1989.

In order to be entitled to participate in the Annual General Meeting a shareholder must have been registered with VPC not later than Friday, April 28th, 1989. A shareholder who has had his/her shares registered in the name of a nominee must have temporarily registered those shares in his/her own name with VPC not later than Friday, April 28th, 1989 in order to be entitled to vote at the Annual General Meeting.

further, in order to take part (whether in person or by proxy) in the Annual General Meeting, a shareholder must give notice to the Company not later than 4.00p.m., Monday, May 8th, 1989, in writing to Essette AB, Box 1371, 5-171 27 Solna, Sweden, or by telephone: Stockholm 27 27 60. If by the aforementioned time a shareholder has provided the Company with a power of attorney, giving authority to exercise the voting rights of the shareholder at the Annual General Meeting in accordance with the 9th Chapter 2nd Section of the Swedish Companies Act, the shareholder shall be deemed to have duly given notice for participation in the Annual General Meeting.

Solna, April, 1989

### **CHAIRMAN'S STATEMENT**

Although the Sun Alliance Group bore its share of the costs of the tragic disasters of 1988 at Clapham and Lockerble, the Piper Alpha platform in the North Sea, and in the Caribbean where Hurricane Gilbert did so much damage. we enjoyed the benefit of an exceptional absence of severe weather in the United Kingdom. In consequence, despite having to find another £27m for the October 1987 storm claims, the Group produced a record final profit of £372m with a positive underwriting result of £58m, including a particularly strong performance in the U.K.

The continuing satisfactory trend in the Commercial account is largely due to sound underwriting, which itself depends a good deal on the technical support of our surveyors and engineers in the field. They are able to provide advice on accident prevention, security and fire protection to our customers, whether in a small high street shop or the most modern chemical plant, and in addition we support Industry bodies such as the Loss Prevention Council and the Motor Insurance Repair Research Centre. During the year a Home Office Working Group, which was chaired by Mr. R. J. Taylor, one of our executive directors, published a comprehensive report on arson, and the human inadequacies and wickedness behind it. It is to be hoped that the recommendations will be supported and lead to success in reducing the dreadful level of claims arising from this

Our Personal business has continued to develop well and the exceptionally good outcome gives cause for much satisfaction. The Household account in particular produced good results.

Our Life business has once more produced a larger profit. However, our forebodings about the complexity of the Financial Services Act proved to be justified and this has sometimes made it difficult to maintain the standard of service our customers should expect. Furthermore, the prospect of yet further changes could again increase the cost of investor protection and much of this burden will fall upon the customer. It is to be hoped that the current review of the workings of the Act will achieve a very real simplification of investor protection based on genuine self-regulation.

The Sun Alliance has always benefited from life business obtained through independent intermediaries, but largely as a consequence of the Financial Services Act many

intermediaries are choosing to tie themselves to financial institutions. Therefore, in order to ensure a satisfactorily diversified distribution network for our long-term insurance and unit trust business, we have in addition developed our experienced direct sales force and also appointed tied agents, which are particularly important in relation to mortgage business.

In the wider field, the draft Freedom of Services Directive, approved by the European Parliament last summer, will come increasingly to shape our activities. Unfortunately, the outlook seems less encouraging than we had hoped because the rules proposed are a good deal more restrictive than those which apply in the U.K. and in the Netherlands.

True freedom to transact business across frontiers still seems some way off, and furthermore differences in contract law, regulations and taxation present formidable obstacles. Meanwhile, we have a wider representation on the continent than our British competitors and our total nonlife premium income in all countries of the Community already puts us in the first division of European insurance

Our underwriting experience abroad last year was better in Europe and Australia, but significantly less good as competition sharpened in North America and a number of

### 

The audited Group results for 1988 are as follows:-

	£m	£m
PREMIUM INCOME		
General insurance	2,252.2	1,990.2
Long-term insurance	859.6	764.7
•	3,111.8	2,754.9
General insurance underwriting result	58.7	(107.7)
Long-term insurance profits	34.0	30.0
Investment and other income	279.7	249.2
PROFIT BEFORE TAXATION	372.4	171.5
Taxation	110.3	40.9
PROFIT AFTER TAXATION	262.1	130.6
Minority interests	10.4	9.7
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	251.7	120.9
DIVIDEND	80.9	61.2
PROFIT RETAINED	170.8	59.7
EARNINGS PER SHARE	127.6p	61.3p
DIVIDEND PER SHARE	41.0p	31.0p

territories where we have smaller operations.

In the Marine and Aviation accounts, as forecast last year, the going has been very much harder, with over-capacity in the market. However, our underwriters were able to report a useful profit from the closed year 1985.

Investment income rose by about 14% excluding the effect of exchange rate fluctuations. With the retention of further profits and appreciation in the value of our property and investments, shareholders' funds rose to £2,103m and our solvency margin increased from 85% to 93%.

In view of the very satisfactory results, your Directors intend to declare a final dividend for 1988 of 26.0p per share, making 41.0p for the year.

### **GROUP REORGANISATION**

The present structure of the Group, which has served us well, has evolved from the three major mergers of the past thirty years. As we approach a new decade it is clear that we need to reshape ourselves to match our strategic aims, our operating structure and our marketing organisation. Furthermore, under current legislation, non-insurance business, which is an important part of our activities, cannot be undertaken under the umbrella of an insurance company. We are therefore bringing forward proposals for the formation of a non-insurance holding company, Sun Alliance Group plc, which will facilitate a variety of business developments.

The new holding company will be established by means of a Scheme of Arrangement under which shareholders will receive four shares in the new holding company for each share currently held. Full details are set out in the letter and other documents issued with the report and will be considered at meetings to be held immediately after the Annual General Meeting on 17th May.

1987

The excellent figures which the Group has produced are the result of the professional skills and application of our whole staff worldwide. They represent the assurance that the company will continue to prosper in the challenging times



# SUN ALLIANCE INSURANCE GROUP

The Assual Report and Accounts were posted to shareholders on 24th April, 1989. If you are not a shareholder and would like a copy please write to the Company Secretary at the above address.

Losses rise

for New

Cavendish

NEW CAVENDISH Estates, the property investor, reported an increase in pre-tax losses in

the six months to December

The losses of £71,000 (£5,000) were caused by an exceptional charge of £281,000 (nil), mainly relating to the termination of the contract of Mr John Everritt, the previous managing director.

Mr Henk Schep, chairman, said that at the trading level, profits before tax and excep-

said that at the trading level, profits before tax and exceptionals improved considerably. Not rental and other income advanced 43 per cent to £496,000 (£346,000) with interest receivable and other income almost doubling to £225,000. Losses per share rose to 0.5 in (0.440).

to 0.51p (0.44p).

As part of a strategy of rationalisation, the company has decided to withdraw from the residential property market. Consequently, an extraordinary debt of £2.61m relations are the property for less on the

to the provision for loss on the Northwick Park development. Mr Schep said that the new management installed in Octo-ber had concluded its property

review and had negotiated and put into operation the manage-ment of the property portfolio

- worth more than £100m -

### The BNP Group in 1988

Strong growth in the level of activity

• Consolidated income: FF 3.239 million, up 7,6 %

Net dividend per share : up 13 % from FF 11.5 to FF 13

BNP's Board of Directors met on April 13, 1989 under the Chairmanship of Mr. René THOMAS, to examine the accounts of the BNP for the financial year 1988.

The very rapid growth in the level of activity during the year resulted in an increase in net income to FF 3,239 million, compared with FF 3,009 million for 1987.

FF millions	1987	1988	%
Net banking revenue	29.725	31.867	+ 7,2
fixed asset depreciation	20.423	22.236	+ 8.9
Net operating income of which	9.302	9.631	+ 3.5
Continental France	7.456	7.239	~ 2,9
Foreign and overseas	1.846	2.392	+ 29,6
Net operating provisions of which : provision for possible loan	4.805	4.412	- 8,2
losses and general risks	3.561	5.093	+ 43,0
Consolidated net income of which	3.009	3.239	+7,6
Group share	2.835	3.062	+8,0
(in French trancs)	48,22	52,07	+8,0

### Continental France

1988 was marked by intense activity.

Loans and advances in French francs were up by 16 %. - Loans to corporate customers increased by 9.1 %, including a rise of 28.3 % in plant and equipement financing.

- Loans to private customers rose by 31.1 % and now represent

Total deposits grew by an annual average of 5.8 %, including an increase of 7.3 % in sight deposits and 11.2 % in savings accounts. The proportion of high interest-bearing deposits dimi-

The impact of BNP's commercial dynamism was also visible in the insurance sector: FF 4.9 billion of premiums were collected

Overall assets managed in the Group's investment companies and mutual funds increased by 27 % to FF 139 billion. The specialised subsidiaries (BNP Bail, Natiotrésorerie, Banexi, Crédit Universel) also showed significant growth in the level of

### Foreign and overseas

Net operating income rose very sharply by 29.6 %, as a result of the high level of activity, particularity in North America and Europe, where BNP acquired, in the United Kingdom, a real estate mortgage company (BNP Mortgages). The foreign and overseas network now represents 25 % of net operating income and a third

### The Group as a whole

Net operating income for the year was FF 9,631 million, up by 3.5 %, and an increase of 11 % excluding capital gains and other exceptional items (current banking income).

- Net banking revenue was up by over 7 % (9.5 % excluding capital gains and other exceptional items).

- Non-interest expenses and depreciation increased by 8.9 % as a result of the increase in depreciation and the significant growth in the number of transactions and accounts processed. After write-back of provisions on securities, the net charge for operating provisions totalled FF 4,412 million. BNP continued to pursue its policy of prudence:

- Provisions made during the year for possible loan losses and general risks totalled FF 5,093 million compared with FF 3,561

 The rate of coverage of sovereign risks by provisions is now over Consolidated net income totals FF 3,329 million (up 7.6 %). Groupe share rose by 8.01 %.

### **BNP PARENT COMPANY**

Net income rose to FF 1.647 million, an increase of 6.5 %.

FF millions	1987	1988	%
Net banking revenue	24.295	25.612	+ 5,4
and depreciation	17.479	18.630	+ 6,6
Net operating income	6.816	6.982	+ 2,4
for operating provisions of which provisions for possible	4.346	4.163	~ 4,2
loan losses and general risks	3.475	4.500	+ 29.5
Net income	1.546	1.647	+ 6.5

At the Annual General Meeting of Shareholders, the Board will propose an increase in the dividend for the year, from FF 11.5 to FF 13 per share, that is FF 19.5 inclusive of tax credit. After dividend distribution, shareholders' equity and equivalents will total FF 33.7 billion.



This announcement appears as a matter of record only

### **ACQUISITION**

### NEEDWOOD HOLDINGS LTD

of 19 branches of U.B.M. Builders Merchants For a consideration of f, 19,750,000.

The undersigned acted as financial advisor to Needwood Holdings Limited.

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James Capel refers to a group of compenies with offices in London and in all other major financial centres, which provides investment services in a variety of markets.

### **UK COMPANY NEWS**

# Ocean Transport in £11m exchange with Nedlloyd

OCEAN TRANSPORT and Trading, the UK distribution group, is exchanging its UK-based European road freight business for certain of the airfreight operations of Nedlloyd, the Dutch shipping and trans-

The move forms part of a complicated series of deals designed to help the two companies build on their strengths and shed weak areas.
OT&T and Nedlloyd are also

forming airfreight joint ven-tures in Holland, Belgium and Spain which will be managed by OT&T subsidiary MSAS Cargo International.
In addition, MSAS is also buying Nedlloyd 's airfreight

operations in West Germany, France, Singapore and New York, and Nedlloyd is buying Transflash, MSAS's road freight business, for which it has acted as Dutch agent for 23



Nicholas Barber: future in distribution would go to net-

The total value of the businesses concerned is about film. The exchange of shares and net assets in the subsid-iaries gives rise to a cash bal-

ance of about film. It has not yet been decided whether this will go to OT&T or Nedlloyd. will go to their or Nedlloyd.

Mr Nicholas Barber, OT&T's
chief executive, said the deal
was born out of a recognition
that the future in distribution would go to the network

operations.

OT&T said when it announced earlier this month 1988 pre-tax profits of £38.5m, down from £41.2m, that UKbased Transflash, which is dependent on Continental agents, was coming under increasing pressure from main-

land European competitors.
The MSAS Nedlloyd air cargo companies in Holland, Belgium, and Spain are intended to combine Nedlloyd's strengths in these countries with MSAS' international network, which encompasses the Far East, Australia, and the USA.

# Scruttons profits surge

SCRUTTONS, port, shipping and engineering services group, yesterday reported a surge in profits from £0.7m to group, yesterday reported a surge in profits from £0.7m to £2.2m pre-tax for 1988.

Shareholders were told that a strong trading cash flow, augmented by more than £4m scheduled for 1989 and over 220m expected in 1990 from the group's property interests at toria Deep Water Terminal.

nesses and expand by acquisi-

For 1988, profits from the ports businesses advanced sharply, helped by the revised

The shipping and transporta-tion activities increased their profits contribution strongly on a turnover reduced by the sale of the road haulage inter-ests. The group's other interests also made good progress. Scruttons' shares are traded on a matched bargain basis on

of Noro, the company's ulti-mate bolding company. Leisuretime Granville's Independent Com-panies Exchange.

### buys Houston hotel for \$10m

Leisuretime International is to pay \$10.5m (£6.1m) cash for the Grand Hotel in Houston,

The vendors are the Metropolitan Life Insurance Com-pany and the Life and Casaalty Insurance Company of

The Grand is a 14-storey 320-room hotel which Leisur time expects to refurbish and operate under a recognised franchise to improve its profit-

ability. The sale is subject to Leisuretime obtaining a liquor licence for the hotel's bar and restaurant.

### Jones expands to over I£5m pects Mr Jones said the environmental division would be the main contributor to growth

JONES GROUP, the Dublin-based manufacturer of domestic radiators and convectors had been extremely domestic radiators and convectors with interests in engineering, shipping and distribution, announced pre-tax profits up from IE4.36m to IE5.18m (£4.36m) in the year to end-De-

cember 1988.
Turnover in the period rose
15 per cent from £75.33m to

Mr Christopher Jones, chair-man, said the absence of a tax charge last year had resulted in earnings per share rising almost 80 per cent. This growth had almost been maintained in 1988 but was offset by

the re-emergence of a fax charge totalling £922,000. After this tax charge and minorities of £95,000 (£83,000) earnings per 10p share were left at 33.5p (35.1p) and direc-tors are proposing a final dividend of 7p (6.5p) making a total

### IN BRIEF

ALBANY INVESTMENT Trus ALBANY INVESTMENT Trust
Net asset value 95.56p (83.94p)
at February 28 1989. Pre-tax
profits for the year £423,764
(5334,886). Earnings per share
3.12p (2.41p). Final proposed
dividend of 2.1p (1.65p) for total
of 2.8p (2.25p).
BANNER INDUSTRIES subsidiary Banner Investments' offer

fary Banner Investments' offer for the capital and shares it did not already own in Transcontinental Services has been accepted in respect of 15.5 per cent of the ordinary shares and 173 per cent of the parameter. 47.3 per cent of the warrants. Banner now has acceptances Banner now has acceptances for, owns or has agreed to acquire 88.7 per cent of the ordinary and 87.1 per cent of the warrants. The offer has been declared unconditional. BARLOWS: Pre-tax profits for the year to December 31 last were £611,000 (£43,000) on turnover of £2.16m (£295,000). Tax took £248,000 (£13,000) leaving earnings per share of 3.62p (£57p). Net asset value per 10p share at the year end was 95p (75.8p). A final dividend of 1.5p is proposed making a total of is proposed making a total of 2.25p (0.75p). BRITANNIA SECURITY has

acquired Acrelec for an initial consideration of £550,000 in a mixture of cash and shares. A further payment amounting to a maximum £500,000 will be based on the level of profitability attained over the two years

to December 31 1990.

BRITISH EMPIRE Securities;
Net asset value per share at
March 31 1999 was 55.3p (45.4p).
An interim dividend of 0.25p (0.2p) has been declared. BSS GROUP has purchased Heatek Services and its subsidiaries for a consideration of £ £2.93m satisfied by £1.98m cash, £650,000 in loan notes and the balance by the issue of

the balance by the issue of 64,273 shares.

CHILD HEALTH RESOURCES announced pre-tax profits of £10,000 for 1988 compared with a debit of £92,000 for the previous year. Net asset value at year end was 42.3p (31.7p) and earnings per share 0.15p (1.9p losses). There is no dividend.

COATS VIYELLA has agreed to sell Angloprint to St Ives Group as part of its strategy to Group as part of its strategy to concentrate on its core textile

COOKSON GROUP launched a £60m convertible preference share issue in the international capital markets. The issue will be priced on or before April 26 and bear a dividend of between5% per cent and 5 per cent and 5. cent and 6 per cent and a conversion premium of 14per cent to 18 per cent above the market price of Cookson ordinary. The issue carries a 'flexible put' option and is priced at par.

buoyant, said Mr Jones,

At around £10m the group investment in vessels repre-sented almost half its fixed assets and indications were that this figure understates their market value by up to 30 per cent, he said, while the inclusion in the balance sheet of a revaluation of the group's headquarters, showed a surplus of about £1m. Commenting on future pros-

record only.

in the manufacturing division would also be significantly up. After the mildest winter for 40 years volumes in the oil dis-tribution companies were unlikely to show much growth. The engineering division was not forecast to benefit from any growth in the Irish market and would once again look to its UK operations to increase its sales, he said.

in turnover in 1989, while sales

This notice is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited. It does not constitute an invitation to the public to subscribe for or purchase any securities and appears as a matter of A september of settle process. It is settle to a reprosper to the settle of the settle set

### HAMBROS PLC

(Registered in England No. 119609)

### Issue of 150,000,000

7.5 per cent. Cumulative Convertible Redeemable Preference Shares of £1 each at par in connection with the offers for Hambros Investment Trust PLC

Application has been made to the Council of The Stock Exchange for the above mentioned securities to be admitted to the Official List. Listing Particulars relating to the 7.5 per cent. Cumulative Convertible Redeemable Preference Shares are available in the Extel statistical service and may be obtained, during normal business hours, up to and including 27th April, 1989 from the Company Announcements Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD. Copies of the Listing Particulars will also be available for collection during normal business hours, on any weekday (except Saturdays and public holidays) up to and including 9th May, 1989

Hambros PLC 41 Tower Hill London EC3N 4HA Rowe & Pitman Ltd. 1 Finsbury Avenue, London EC2M 2PA

25th April, 1989

### COMPAGNIE FINANCIÈRE DE CRÉDIT INDUSTRIEL ET COMMERCIAL

Three key figures characterise Groupe CIC's consolidated results for the 1988 financial year :

7099	1987
	13,284
3,086	3,324
1,067	660

During the meeting of the Board of Directors on 5 April 1989, when consolidated accounts were reviewed, Chairman Jean Saint-Geours underlined four important points:

Strong growth in net consolidated profits, Net consolidated profits, which socred by as much as 61.6 % include capital gains on longterm investments which are for the most part of a recurrent nature. In addition, gross operating profits were burdened by exceptional charges due to reorganisation in several subsidiories.

Strong growth in consolidated capital, These increased from FF 10,192 m to FF 13,877 m during the post year, up 36 %on the year before.

1988 consolidated results

**PROFITS FORGE AHEAD** 

Improved net profits for the main banking subsidiaries. In Paris, BUE more than doubled its net consolidated profits, while CIC Paris significantly reduced its losses. In the provinces, the majority of the Groupe's banking subsidiaries increased

New alliances across Europe in the framework of a policy initiated last year.
As part of these plans, GC signed several agreements in 1988, i.e. with Monte dei Paschi di Sienna of Italy, with Baden Württernbergische Bank of West Germany, and with Banco Pastor

The Board of Directors also approved the accounts of Compagnie Financière de CIC, which showed net profits of FF 180 m. The Board of Directors decided to pay out a dividend of FF 10 to holders of CIPs (Certificats d'Investissement Privilégiés, non-voting preferred stocks), a level unchanged from the 1987 financial year.

COMPAGNIE FINANCIÈRE DE CIC - 52, rue de Moncegu - 75008 PARIS

CIC GROUP

### UK COMPANY NEWS

# Suter expands chemical side via £14.6m purchase

By Philip Coggan

itis tig

 $\mathcal{V}_{\mathrm{diag}}$ 

1.6.14

SUTER, the industrial holding company, has agreed to acquire Pentagon Chemicals from Kelt Energy, the oil independent, for £14.6m in cash.

The acquisition of Pentagon, which is a speciality chemicals manufacturer, will add to Suter's existing chemicals subsidiary, Mitchell Cotts Chemicals,

cals.
For Kelt, the sale marks the

group acquired Carless, a larger oil independent, earlier this year. Kelt made it clear at the time of the bid that it would sell off Carless' down-stream assets to pay off part of a £199m loan from American Express Bank, which was used to fund the bid.

Total disposals by Kelt now amount to £55m and the com-For Kelt, the sale marks the latest in a series of disposals of businesses bought in when the sale of other businesses.

Pentagon's pre-tax profits for the year to March 31, 1989 were £900,000 and its net asset value, including the capitalisation of inter-company indebtedness, was £3.3m. Suter subsidiaries have also

acquired Spada, a haircare cash and carry business, and Gorney, a hairdressing sundries distributor, for £1.3m in cash, and White-Lessar, a spectacle case manufacturer, for £1.000

REALLY USEFUL, Mr Andrew Lloyd Webber's theatre production and leisure group, has paid £1m for the copyright in "Joseph and the Amazing Technicolor Dreamcoat", which marked the original collaboration between Mr LLoyd Webber and the lyricist Mr Tim Rice 21 years ago.

Mr Keith Turner, director of business and legal affairs, said yesterday Really Useful saw considerable scope for exploiting the operetta in new media ing the operetta in new media such as television and video. "Joseph", widely performed by schools and amateur groups in the UK and the US, currently about £65,000.

The copyright became available after its owner, the musi-

Really Useful

pays £1m for

Joseph copyright

cal publisher Novello & Co. was sold by Granada Group earlier this year.
The acquisition comes hard

on the heels of the London opening last week of "Aspects of Love", the latest Lloyd Web-ber musical, where advance ticket sales total about £5m so

Mr John Whitney, former

director general of the Indepen-dent Broadcasting Authority, joined Really Useful as manag-ing director three weeks ago. Really Useful has also recently announced it is seeking offers in excess of 25m on a freehold property in the West End of London, purchased for £3.2m last year, that it has decided not to transfer to from

### Ulster TV up 15% midway

HELPED BY an 11.6 per cent increase in advertising revenue. Ulster Television, television programme contractor for Northern Ireland, announced pre-tax profits of £1.4m in the six months to January 31 1989. a 15 per cent improvement on the £1.22m reported last time.
Turnover in the period

totalled £12.8m (£11.57m). Investment income in the period rose to £229,000 (£140,000) but there was a loss of £63,000 from the sale of investments. After tax of £517,000 (£437,000) earnings were 9.07p (8.01p) and there is an improved interim dividend of 2.5p (2p).

### **AEROSPACE**

The Financial Times proposes to publish this survey on:

**7TH JUNE 1989** 

For a full editorial synopsis and advertisement details, please contact:

PENNY SCOTT on 01-873 3389

or write to her at:

Number One Southwark Bridge London SEI 9HL

FINANCIALTIMES

# Strong recovery at JMD

JMD GROUP, which changed its name from John Michael Design last August, returned strongly from loss to profit in the nine months to December

This USM-quoted specialist in greetings cards, gifts, pack-aging and design made pre-tax profits of £1.61m on turnover of £12.19m in the period. This compared with restated losses of £639,000 on turnover of £9.04m for the 12 months to March 31 1988.

The greatest strength in the company's recovery was seen in the last three months, as in the half-year to September 30profits were only £19,000 and novelty products.
(losses of £214,000). Sir Cecil Burney, JMD chairman, said that, in view of the

(£14,000), earnings were 2.44p (losses 1.48p). There was no extraordinary charge (£81,000). Crucial to JMD's turnround was the merger in August with Capital & Investment Securities, which injected a new management team and about

In December the group acquired, for a combined maximum of £10.96m, Linden Holdings and Downpace, two companies involved in the manufacture and distribution of greetings cards, packaging timing of the acquisitions, the board did not consider it appro-priate to propose a dividend for the period to end-1988. He said that the core design companies significantly reduced their losses to £78,000 (£1.38m).

Equity & Law

Equity & Law Life Assurance Society has increased its stake in York Waterworks Company from 16.1 per cent to 17.8 per cent of the statutory company's voting capital.

### COLOMBIA

The Financial Times proposes to publish a Survey on the above on

23rd MAY 1989

For a full editorial synopsis and advertisement details, please contact:

NIGEL BICKNELL

on 01-873 3447 or write to him at:

Number One, Southwark Bridge London SEI 9HL.

**FINANCIAL TIMES** 

### **Computer People in** \$3m US expansion

COMPUTER PEOPLE, the be funded principally through computer staff agency, is con-tinuing its expansion into the US with the purchase of Starlex, a computer consultancy firm handling New York and New Jersey business. Consideration is a maximum \$2.7m

The initial payment is \$1.7m cash and \$900,000 in loan notes, with an additional payment if Starlex reaches a profit target this year. The acquisition will

a \$2.4m placing of new ordinary shares.

Starlex, like the US Profes-sional Services Group which Computer People bought last July, provides its contract pro-gramming services mainly to Fortune 500 companies. Its pre-tax profit for the year to December 31, adjusted for a payment to the owners which will be discontinued, was \$56,000 on turnover of \$8.2m.

### Perkins Foods £1.7m buy-out

£1.65m cash management buy-out of its Meat Packers subsidiary. Meat Packers, which had pre-tax profits of £113,000 on

Perkins Foods has agreed to a sales of £23.3m in the 15 months to December 3I 1988, has suffered from the reduced avilability of beef. Net assets totalled £1.98m at December 31

per cent).

Cullen's Stores - Discretionary House Trust is beneficial investment portfolios managed by Mercury Asset management shares, and holding 5.3m (20.07

per cent). Nesco Investments - Ford shares (5.4 per cent).

SHARE STAKES

Dahlawi interested in 932,334

owner of 447,857 ordinary (7.04

U.S. \$100,000,000

Floating Rate Notes Due 1992

Interest Rate

103/16% per annum

Interest Period

24th April 1989

24th July 1989

Interest Amount per U.S. \$1,000 Note due

U.S. \$25.75 24th July 1989 Credit Suisse First Boston Limited

Agent Bank

Tootal Group's £m 50 growth strategy was 40 given a real test of its strength in the difficult trading conditions of 1988/9 and proved its 1980/81 81/82 82/83 83/84 84/85 85/86 86/87 87/88 88/89 worth in the marketplace.

Pre-tax profits rose for the ninth consecutive year to reach a record £42.3 million, while the dividend to shareholders was increased to 4.85p.

**Profit Before Tax** 

**GLOBAL** MARKETING Tootal Group's initiatives

have been in the markets – in developing new products and services and entering new growth markets where the

Group's products, services and international structure give a

leading edge.

Last year new operations commenced in the United States, Portugal, France, Turkey, Bangladesh and Taiwan.

# **GLOBAL** MANAGEMENT

Tootal Group has pursued its commitment to attract and nurture excellence across all management disciplines, regions and local cultures and has increased the range of its professional development programmes.

GLOBAL SOURCING AND DISTRIBUTION

Tootal Group has continued to develop its international network, establishing costeffective sources of high quality products and tailoring its distribution services to meet exact customer needs.

Tootal Group

WINNING LEADERSHIP IN WORLD MARKETS

If you would like to know more about Tootal Group, write to: Audrey Lloyd-Kitchen, Director of Corporate Affairs, Tootal Group plc, Tootal House, 19/21 Spring Gardens, Manchester M60 2TL.

# LEEDS & HOLBECK BUILDING SOCIETY The Society with the personal touch

At the 114th Annual General Meeting of the Society held on Monday 24 April 1989, the President, Mr T George Tumbull, reported on the financial year to 31st December 1988. "Another record year with £369 million advanced on mortgages – nearly 20% up on 1987."
"Assets increased by 20.4% to £1,164,000,000 – the seventh successive year when growth exceeded re. "Pre-tax profits £17.6 million – up by 36%." "After-tax profits up by 36% to £11.4 million.

LEEDS BEREDING SOCIETY

Notice of Redemption to Holders of

### **NORDISKA INVESTERINGSBANKEN**

(Nordic Investment Bank) 121/2% Notes 1983/90. NOK 100.000.000. In accordance with the Paying Agency Agreement, the following Notes are drawn for redemption.

Maturity 15th July 1989.

We remind you that the following Notes from earlier drawings have not yet been presented for redemption:

Red. date 15th July 1988:

821 1276 2203 2664 2676 
 519
 872
 1277
 2331
 2676
 3033
 3414
 3767

 523
 890
 1479
 2332
 2703
 3035
 3416
 3769

 531
 952
 1495
 2336
 2707
 3052
 3423
 3786

 532
 957
 1496
 2370
 2708
 3056
 3454
 3790

 554
 1013
 1744
 2418
 2738
 3068
 3457
 3808

 563
 1021
 1756
 2420
 2743
 3157
 3458
 3810

 577
 1022
 1760
 2423
 2744
 3165
 3498
 3811

 579
 1023
 1783
 2424
 2758
 3166
 3502
 3814

 588
 1052
 1823
 2549
 2760
 3167
 3592
 3894

 598
 1091
 1926
 2582
 2855
 3175
 3677
 4070

 607
 1200
 1975
 2583
 1277 2331 6 65 69 73 76 77 117 120 123 148 154 161 204 214

Red. date 15th July 1987:

889 1146 1711 1719 1982 2067 3190 3455 3532 3791 1100 1154 1716 1720 2064 2068 3192 3456 3770 3794 1145 1504 1717 1917 2065 3187 3427 3499 3771 6734

All Notes will become payable in NOK at the offices of: Sergen Bank A/S in Bergen, Citybank, N.A. in London, Paris, Zürich, Frankfurt, Brussels and Citybank (Luxembourg) S.A. From and after 15th July 1988, interest on all the above mentioned Notes will cease to occrue.

### CONTRACTS

# Aerial masts and towers

BEATTY'S transmission division has won two contracts for the construction of masts and towers.

The first, awarded by the PSA, is for antenna support towers at 66 sites throughout the UK. Tower heights vary from 10 to 70 metres and the antenna also vary because of the different locations and the

ern Isles of Scotland.

Work is scheduled for com-pletion in March 1991 and final value of the contract is expected to reach £3m.

The second contract is for the second contract is to the BBC at Skelton in Cumbria. The site, which has been used by the BBC for its World Service short wave radio transmissions since 1943, is to be redeveloped, including the conwind conditions likely to be struction of a new transmitter encountered at each site - from the home counties to the West-

Balfour Beatty Power has

been awarded a £3.3m design and construct contract for new aerial support towers to replace some of the 38 guyed masts currently in use. Thirteen guyed masts will be dis-mantied, while the design, sup-ply and installation of 18 new self-supporting towers is in progress. Work includes construction of 2km of access track, with halyard winch bases to service the aerials.

### Grab bucket ore unloader for Canada

COWANS BOYD, Carlisle-based unit of NEI Clarke Chapman, has won a contract, worth more than £4m, to design, construct and erect a 1,750 tonne/hr grab bucket ore unloader for installation in Vancouver, Canada.

The order has been placed by

Vancouver Wharves. The com-pany will use the unit to unload zinc and lead ore at its Port Burrard Inlet terminal. The unloader is part of a link

in the movement of lead and zinc concentrate from a new mine in Alaska which is 50 miles inland from the Alaskan Sea and will operate all the

Overhauling boilers for **CEGB** INTERNATIONAL

been awarded contracts worth nearly 59m. The Central Electricity Generating Board has placed orders for annual boiler overhaul work at its Willing-ton, Drakelow, Ratcliffe and Pembroke power stations, as well as overhaul work on the turbine ancillary plant on Units 3, 4 and 5 at West Thurrock power station. As part of the CEGB's header replacement programme, the company is to make headers for power stations at Fiddlers Ferry, West Burton and High Marn-ham. In the industrial sector, the company is to carry out a comprehensive boiler overhaul, plant refurbishment and mechanical work for major UK

COMBUSTION, Derby, has

A £3m contract for a bulk fuel

oil refineries.

year round.
The ores will be transported by road to the coast but, due to the prevailing Alaskan weather, onward movement by sea is restricted to a three-month weather window from July to September each year. The mine will begin operation

installation has been won by REDPATH ENGINEERING SERVICES, Stockton-on-Tees, part of the offshore and structural division of Trafalgar House: The contract, to be carried out at RAF Brize Norton, Oxfordshire, is for pipework to provide fuel for aircraft at the base. Testing and commissioning the installation, fuel distribution by a ring main pump, and hydrants are included. Awarded by ARC Construction, work is expected to finish in late 1991.

Two contracts to supply \$2.5m worth of Setcon process con-trol systems to the South Kor-ean steel industry have been awarded by Davy McKee (Suckton) to SD-SCICON. The systems will supervise the con-trol of a new foundry-iron blast furnace at the Pohang iron and steel complex and the number three blast furnace at the Kwangyang operation. The systems are due to be installed by the end of this year. Both the Pohang and Kwangyang systems will use DEC PDP/II machines. Scieon Industry has

Balfour Beatty Power is a BICC company.

in 1990 and shipments will be in 65,000 tonne deadweight

in 65,000 tor bulk carriers.

At Vancouver the unloader will discharge the ore which will then be stored before will then be stored before being transported by rail to a smelter in Eastern British Col-umbia. During the three-month cargo handling period the unloader will be required to work up to 30-22 hours per day, unloading at a rate of 22,000 tonness per day. tonnes per day

already implemented supervi-sory systems for the number one and number two furnaces at the Kwangyang site.

Holland & Barrett, healthfoods arm of Booker, has chosen PENNINE and PRISM for its prime computerisation needs. In total the contract could be worth £1.5m over the next 18 months. Pennine is supplying all the modules of PRISM -Retail, Inventory, Sales and Management system, plus the largest Data General minicomlargest Data General minicomputer ever delivered to a new customer. The hardware includes a 40 15000/20 system with 16 megabyte of memory and 25 gigabytes of disc storage initially Holland & Barrett will be installing 40-50 terminals. The hindware includes an Ethernet network, as eventually a PC will be installed at ally a PC will be installed at each of 230 branches. They will be used for local purchasing, and branch management information as well as data collection. Some PC's will also be capable of receiving data from hand-held terminals for stock control. Other branches will be accounted with PDC Hills. equipped with EPoS tills.

Notice of Redemption

To the Holders of

Carteret Savings Bank, FA
(formerly Carteret Savings and Loan Association, F.A.)

U.S. \$125,000,000 Collateralized Floating Rate Notes Due 1994

NOTICE IS HEREBY GIVEN that, pursuant to the terms of the Trust Agreement (the "Agreement") dated as of November 15. 1984 between Carteret Savings Bank, FA, formerly known as Carteret Savings and Loan Association. F.A.. ("Carteret") and Citibank. N.A.. under which U.S. \$125.000.000 Notes due 1994 (the "Notes") were issued. Carteret has elected to redeem all of the outstanding Notes on May 31, 1989 (the "Redemption Date") at a Redemption Price equal to 100% of their principal amount; plus interest accrued to, but not including, the Redemption Date. This redemption is an optional redemption pursuant to Section 11.05 of the Agreement. The conditions precedent to such redemption have occurred.

On May 31, 1989 the Notes shall become due and payable. The Notes will be paid upon presentation and suggested thereof. Payments in respect of the Redemption Price and accrued

presentation and surrender thereof. Payments in respect of the Redemption Price and accrued interest on the Notes shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and will be made, subject to any applicable laws or regulations, at Citibank, N.A., I I Wall Street. Corporate Trust Services. 5th Floor, New York, New York 10043; Citibank, N.A., Citibank House, 336 Strand, London, WC2R1HB: Citicorp Investment Bank (Luxembourg) S.A., 16. Avenue Marie Therese, Luxembourg and Ciribank, N.A., Avenue de Tervuren, 249, B-1150 Brussels. Belgium. and Citicorp Investment Bank (Switzerland), Bahnhofstrasse 63, 8021.

On and after May 31. 1989 interest on all Notes will cease to accrue.

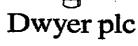
CARTERET SAVINGS BANK, FA

Dated: April 25, 1989

**NOTICE** 

Withholding of 20% of gross redemption proceeds of any payment made within the United States may be required by the Interest and Dividend Tax Compliance Act of 1983 unless the paying agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee: Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities for payment within the United States.

This advertisement is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and Republic of Ireland Limited ("The Stock Exchange") and does not constitute an invitation to any person to subscribe for or purchase shares. The Council of The Stock Exchange has granted permission for the new 7.25 per cent. convertible cumulative redeemable preference shares of £1 each to be admitted to the Official List. It is expected that dealings will commence, nil paid, on 25th April, 1989.



(Registered in Ireland No. 1499)

Rights Issue of 12,771,091 7.25 per cent. convertible cumulative redeemable preference shares of £1 each at 100p per share, payable in full on 16th May, 1989

Share Capital

following implementation of the Rights Issue

Authorised Ir£ 6,000,000 £17,000,000

Ordinary shares of Ir25p each 7.25 per cent. convertible cumulative redeemable preference shares of £1 each

Issued Ir£ 3,192,773 £12,771,091

Full particulars of the 7.25 per cent, convertible cumulative redeemable preference shares of £1 each are contained in the statistical services of Extel Financial Limited. Copies of the listing particulars may be obtained during normal business hours (Saturdays and public holidays excepted) up to and including 27th April, 1989 from the Company Announcements Office of The Stock Exchange, 46 Finsbury Square, London EC2A 1DD and up to and including 16th May, 1989 from:

Dwyer plc 10 Mount Row, London W1Y 4DA.

Dwyer plc Dollard House, Wellington, Quay, Dublin 2, Eire

25th April, 1989.

UBS Phillips & Drew Securities Limited 100 Liverpool Street, London EC2M 2RH.

( علدًا منه الأصل

This advertisement, which has been issued by Morgan Grenfell & Co. Limited, a member of The Securities Association, on behalf of Minorco, has been approved by a duly authorised committee of the Board of Minorco. The Directors of Minorco are the persons responsible for the information contained in this advertisement. To the best of the knowledge and belief of the Directors of Minorco (who have taken all reasonable care to ensure that such is the case) the information contained herein is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors of Minorco accept responsibility accordingly.

# MINORCO

# INCREASED AND FINAL OFFER FOR

# CONSOLIDATED GOLD FIELDS PLC

# THE INCREASED OFFER WILL CLOSE AT 1.00P.M. ON WEDNESDAY, 26th APRIL, 1989\*

MINORCO'S  OFFER (a)	CASH SHARES	1,175 355 1,530p
MARKET PRICE (b)		1,283p

The MIX AND MATCH election, which permits Gold Fields shareholders to elect to receive more cash or more shares, is available only to accepting shareholdings who so elect by 1.00p.m. on Wednesday, 26th April, 1989.

- \*Minorco has reserved the right to increase its offer or extend the closing date in the unlikely event of a competitive situation. If the Increased Offer becomes or is declared unconditional as to acceptances on 26th April, 1989 it must remain open for acceptance for at least a further fourteen days.
- (a) The value of the Increased Offer is based on the market price of one Minorco share of 710p based on the middle market quotation, as derived from The Stock Exchange TOPIC service at 3.00p.m. on 24th April, 1989.
- (b) The market price of a Gold Fields share of 1,283p is based on the middle market quotation, as derived from The Stock Exchange TOPIC service at 3.00p.m. on 24th April, 1989.

Copies of the Form of Acceptance may be obtained from National Westminster Bank PLC, New Issues Department, PO Box 33, 153-157 Commercial Road, London E1 2DB (telephone 01-791 0011). Gold Fields shareholders who are in any doubt as to how to fill in the Forms of Acceptance should contact National Westminster Bank PLC, New Issues Department on 01-791 0011.



Our Corporate Special Services Department has a network of offices throughout the UK, offering guidance on corporate care to companies in distress, as well as comprehensive services to creditors and bankers. Contact any of the partners at our main offices listed below to find out how they can help you best.

Christopher Morris Arthur Boyd Andrew Peters David Bird Robert Ellis Robin Wilson Ralph Precce

Tel: 0232 649111 Tel: 021-631 2288 Tel: 0222 481111 Tel: 0532 444741 Tel: 0533 543598 Tel: 051-236 0941 Tel: 061-228 3456

**△** Touche Ross

Wales and in Northern Ireland by the Institute of Chartered Account

### **DESIGN BUREAU**

FOR SALE

An established company has diversified its activities and now offers its DESIGN DIVISION for sale. Equipment

comprises: Visula Network, Cadstar & Maxi. Furniture

etc. If purchased as

going concern Order Book & Staff are

Write Box H4723, Financial

Times, One Southwark Bridge, London SE1 9HL

Well established

and respected product range manufactured in glass reinforced plastics for the building and civil

Excellent profit margin and

Will consider saling tools, good-will and specification in return for an attractive offer.

For details apply to 8ox H4720, Financial Times, One Southwark Bridge, London SE1 9HL

(20 years)

Serious enquiries are invited for a West Country engineering company specialising in materials handling. To 0.25 million, estimated profits for year end D20k. Current years performance abowing substantial growth. If years continued growth. Can include freehold premises. Enquiries from principals only to sole asemt.

J.P. Telling, Falcon Group of Co's Ple, sh Floor, Crown House, 37 Prince Street, Bristol BS1 4PJ, Telephone: 0272 391012

PRESTIGIOUS MANUFACTURING BUSINESS

**A4 PUBLICATION** 

Regional Business Publication T/O nd Year approx £120K. Controller reculation. Ready to be developed into a major regional medium

COMPANY FOR SALE

Write Box H4731, Financial Times, On Southwark Bridge, London SE1 9HL

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undertaking of the above company which is engaged in the provision of contract

mechanical engineering and H&V services to the process industry with an emphasis on pipework fabrication and erection.

site in Ellesmere Port and leasehold

premises in East Kilbride. The assets

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Joint Administrative Receivers:

Grant Thornton

CHARTERED ACCOUNTANTS

David Rowlands or Allan Griffiths,

Grant Thornton, 1 Stanley Street, Liverpool L1 6AD. Tel: 051 227 4211

The company operates from a six acre

The company has 141 employees, an annual turnover of approximately £5,000,000 and a substantial order book.

For further information contact the

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Fax: 0734 503105, Telex: 846683 AYRG.

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# Fax: 0222-223361

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 Ladies' wear manufacturer principally for

◆ Children's wear manufacturer

◆ Ladies' wear mail order company ◆ Large stock of finished garments for forthcoming

 Substantial customer base ◆ Group turnover in excess of £3.2m p.a.

The business may be sold as a whole or separately. For further details please contact the Joint Administrative Receiver, R. Hocking FCCA



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Marketers and sellers of computer terminals and work stations which are manufactured to the company's own design and specification. Sales are primarily to the US and European markets and the latest annual turnover has been estimated at Assets

- Intellectual property
- 9,000 square feet of leasehold office premises in Croydon
- Office farniture and equipment

 Stocks and test equipment For further information please contact the Joint Administrative Receivers, Iain Allan, CA or Maurice Withall FCA of Grant Thornton, Grant Thornton House, Malton Street, Euston Square, London NW1 2EP.

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### Co-ordinate **Technology Limited Co-ordinate Probe Card Company Limited**

In Liquidation

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The companies produced test equipment for the quality assessment of International productor varies namely probe cards, wafer probers and wafer inspection equipment some of which are patiented worldwide. Location: Leasehold premises in Lancaster Turnover: Year ended 31 December 1988 for both companies £0.7M (90%

For further information please contact:

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Fax No. 01-381 2187

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### **Stevenson Contracting Limited** (IN RECEIVERSHIP)

- Demolition and earthmoving contractors.
- Annual turnover of approximately £2.5 million.
- Workforce of 23.
- Contracts on hand exceed £700,000.
- Book value of plant and machinery exceeds £1 million.

### **Clowes (Plant Hire) Limited** (IN RECEIVERSHIP)

- Established contract hire business of specialist earthmoving equipment and other plant.
- Annual turnover of approximately £650,000.
- Workforce of 17.
- Book value of plant and machinery £400,000.

### AG Clowes & Co Limited (IN RECEIVERSHIP)

- Scrap metal merchant.
- Annual turnover of approximately £400,000.

Workforce of 6.

Enquiries to AJP Brereton FCA and R Marsh FCA, Price Waterhouse, York House, York Street, Manchester M2 4WS. Telephone 061-228 6541, Telex: 669591, Fax: 061-228 1429.

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Officer in the region of \$250,000 ere-cought to Day owner a Soin agents Regency House, 107 Hagley Rd. Edgheston, Bitmingham B16 8LA Tol; 021 454 7999

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### **COMMODITIES AND AGRICULTURE**

# EC agricultural budget to be Ecu2bn below guideline

By Tim Dickson in Brussels

Brussels yesterday that rang a little hollow – the European Commission's smug observation that the farm price pack-age finally agreed in the early hours on Saturday respects the Community's budget disci-

pline. Of course it does.

Even if Agriculture Ministers had voted for wild price increases in the guaranteed level of EC support, they could still have kept within the financial ceiling imposed by heads of Government at last February's "watershed" sum-mit. Thanks to the substantial savings made in European export subsidies as a result of last year's drought induced jump in world market prices, this year's agricultural budget is expected to be a cool Ecu2bn below the famous "guideline" agreed last year, while as things stand the room for manoeuvre in 1990 will be

around Ecu4.5bn.
The question throughout this year's negotiations was therefore not whether farm spending was once again set to wreck the Community's finances, but to what extent the new Irish Farm Commissioner Mr Ray MacSharry could pursue his predecessor's more market oriented approach. The outcome is not only significant for EC farmers but for the other major trading blocs currently trying to reduce the overall level of giobal agricultural supports in the General Agreement on Tar-

iffs and Trade (GATT). Broadly speaking, the package finally agreed by Ministers after several compromises from a somewhat hesitant Council chairman, Spain's Mr Carlos Romero, retains the broad price freeze in Ecu terms originally put on the table by the Commission. The big and virtually inevitable concession was contained in the adjustments made to the green cur-rencies which convert common Ecu prices into national

money.
Final confirmation was not available yesterday afternoon but preliminary Commission calculations suggest that on average EC farm prices will increase by a nominal 2 per cent in national currencies - a real cut when inflation is taken into account but arguably a modest step along the road of reform if viewed from the perspective of the impatient Cairns group of nations in the

The complex agri-monetary changes - which gave UK producers a 2.7 per cent increase for beef, 4.2 per cent more for sheepmeat, and more than 2.5 per cent extra for cereals before other measures like the stabilisers are taken into account - were largely respon-sible for the additional budgetary costs of the final package. Mr Macsharry disclosed yesterday that the compromises would add Ecu74m more to this year's budget than the original Commission proposals, and a further Ecu365m to estimated agricultural spending in

Those looking for signs that the Commission may be softenthe commission may be soften-ing its tough budgetary line would point to the declarations made on the need to look into milk quota difficulties and the clear statement that reductions agreed in the rate of the milk co-responsibility levy are just a "first step." Previous state-ments of this kind tend to end with a Commission proposal even if most member states are

On the other hand, Mr Mac-Sharry deserves considerable credit for resisting West German pressure to allow "ex post facto" flexibility in the application of milk quotas - a poten-tially costly concession - for insisting that Ministers accept a cut in the sugar price (2 per cent), for further reducing the period of intervention in the cereals sector (thus emphasising the role of intervention as a safety net), and for holding out for a 2 per cent decrease in the cut in the milk co-responsi-

# Total ban on nitrates ruled out

By Bridget Bloom, Agriculture Correspondent

THE European Commission's plans to curb the use of nitrate fertilisers by farmers does not include a total ban on fertiliser use, a senior Commission official has said.

Mr Jorge Henningsen, in charge of water and air pollution and conservation in the Commission's environment directorate, said that a total ban on the use of nitrogen fertiliser was completely beyond the intention of a draft directive on nitrate use now with the Council of Ministers.

Commenting on adverse reaction to the directive from the British Government and from farmers, Mr Henningsen said in an interview that he felt the "psychological reaction" to the Commission's pro-posal went far beyond what

was included in it. The Commission's directive, which aims to protect fresh, from pollution by nitrates, was strongly criticised last week by

the British Government. British farmers have expressed fears that the directive could make possible a total ban on the use of nitrates in certain sensitive areas like nshire or the sandstone regions of the Midlands.

In a memorandum to the House of Lords Select Committee on the European Communities published last week, the Government said that the Commission's proposals were potentially so sweeping that they could have major agricul-tural, social and economic

consequences. They could result in "nitrate protection zones" being established over the "great bulk" of Britain's arable farmland.

While welcoming the Commission's aim to devise a Community wide policy on nitrates, the memorandum, jointly produced by the Department of the Environment and the Min-istry of Agriculture, labelled the directive unreasonable and

Mr Henningsen denied these charges. The directive's aim was to reduce the levels of nitrate in sources of drinking water to the EC legal limit of

50mg per litre. To this end it envisaged the establishment of nitrate protection zones in vulnerable areas, in which there would be some curbs on nitrate use plus a combination of other measures to be decided by the member state government.

If the British Government decided that most of the coun-

COCOA E/tonne

try's arable land was vulnera-ble to nitrate leaching near or above the legal limit then there would have to be protection zones established over that Mr Henningsen

He did not, however, believe that that would mean a com-plete ban on fertiliser use, suggesting instead that the Commission was thinking more in terms of reductions of 15-20 per cent which should not have a major impact either on yields

or farmers' net incomes.

Mr Henningsen said that the Commission was not siming to dictate to member state governments on the methods to be used to reduce nitrate levels except in one respect. The Commission felt it was

legitimate to put a ceiling on the amount of manure that could be spread on the land The Commission believed it tertin instant of let leaching both because of its polluting effects on drinking water and because it was helpto destroy aquatic

Mr Henningsen said he hoped that the directive, which was published in January and requires unanimous approval, would become law within two

# Explosion at Outokumpu plant fuels sharp rise in nickel price

THE PRICE of nickel rose sharply on the London Metal Exchange yesterday after Outokumpu, the Finnish mining and metals group, declared force majeure on nickel deliveries because of an explosion on Saturday at its Harjavalta smelter, writes Kenneth Gooding, Mining Correspondent. A larger-than-expected fall

in LME nickel stocks added to fears about the availability of the metal. There was a fall of

stocks to 2,412 and their low-est level since December, 1988. Nickel prices were buoyant last week after news about problems at Inco's Thompson plant in Canada: and uneasi-ness about the possibility of a strike at Falconbridge's Sud-bury facility, also in Canada, if a new labour contract is not agreed this month.

Traders said nickel soared by \$1,400 a tonne at one stage yesterday, boosted by aggres-sive producer re-purchasing

and European and Far Eastern buying. Then sellers emerged, particularly US consumers

taking profits.

By the close nickel for immediate delivery was \$16,600 a tonne, up \$750, and three months metal was up by \$625 at \$16,100 a tonne. Ontokumpu said that an explosion and fire at the oxygen plant at the Harjavalta smelter had interrupted production of both copper anodes and nickel cathodes.

away. The copper smelter was re-started without oxygen yester-

The smelter produces about 50 tonnes of nickel a day, half of which goes to Outokumpu's own strinkess steel operations. and 300 tonnes of copper, which all goes to its refinery at Port, 350 kilometres

day but will produce at only 25. per cent of capacity, the company said. Outokumpu's own oxygen plant was destroyed and the

company yesterday could not say how long it would take to replace. Another oxygen plant replace. Another oxygen punt nearby, owned by Aga, was less severely damaged and might be back in operation in two weeks' time. It can pro-vide more than half the smelt-ers' oxygen requirements, Out-okumpu said. The company said produc-tion losses were costing FMIm

tion losses were costing FM1m a day (about £143,000) but were covered by insurance, as was the damaged equipment.

# Harjavalta smelter's unhappy anniversary

Kenneth Gooding on a mining and metals group dogged by incredibly bad luck-

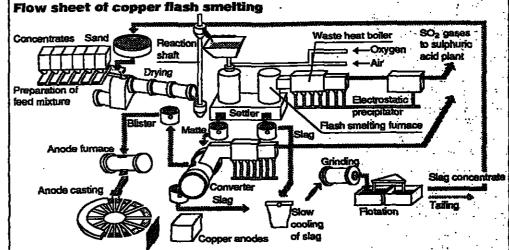
n almost-incredible bit of bad luck has hit Outokumpu, the Finnish mining and metals group. Last week it celebrated the 40th anniversary of the start-up on April 20 of its first flash smelter, among other things by taking reporters to the Harjavalta plant where that smelter was installed. On April 22 an explosion at the oxygen plant on the site brought the Harjavalta flash

smelters to a halt.

This is the third incident in less than a year at plants using Outokumpu's flash smelting methods. Fortunately, nobody was seriously hurt in the Har-javalta incident but in the other two — at Magma Cop-per's San Manuel smelter in Arizona and the Chuquicamata smelter owned by Codelco in Chile - there were fatalities.

This obviously raises some questions, not the least because Outokumpu's flash smelting method is widely her-alded as one of the most significant achievements in copper metallurgy this century and is the method by which about one-third of the world's copper is produced today.
However, according to Mr

Simon Hobson, a director of the Metals and Minerals Research Services consultancy group: "The reliability of Outokumpu flash smelting is unquestionable. Currently smelters with combined pro-duction capacity of more than 2m tonnes a year are in opera-



tion with their smelting chambers taking terrific poundings from the explosions of the sul-phur inside."

In fact, in two of the inci-dents the flash smelting fur-naces, which hold molten material bubbling between 1,400 and 1,500 degrees centigrade, were not even involved. At Harjavalta it was a sepa-rate oxygen plant which exploded – for reasons that are not yet clear. In the Magma accident a waste hear boiler

was being cleaned.
Only at Chuquicamata was
the flash smelter's furnace
directly involved. Outokumpu still has no exact details of

what happened because officials of the state-owned Cod-elco, which was going through a change of top management at the time, seem reluctant to give them.

It is known is that there were two interruptions to the power supply within a short space of time and this probably caused a failure of the cooling system which sends water continuously cascading down the outside of the furnace to bring the temperature down to about 350 degrees centigrade.

About 20 people were using hosepipes to spray the furnace on Friday, January 13 when it

Work on a pilot plant started at Harlavalta in 1946 and after the official start-up in 1949 con-tinuous smelting was main-tained almost without electric-

ity or fuel.

In the early 1970s the process was substantially improved by using oxygen-enriched air in the fornace

Today there are more than 35 flash smelters worldwide using the Outokumpu method. Flash smelting can also be applied to pyrite and nickel— Harjavalta has separate copper and nickel smelters— and has been used for lead in a pilot

Outokumpu's process solves the contradictory requirements of profitability of environmen-tal impact by keeping emis-sions so low that if necessary smelters can be placed in resi-

dential areas.
Mr Jukka Sulanto, manager,
pyrometallurgy, for Outokumpu engineering division, says his company estimates that, as demand for copper is growing at an annual 1 to 2 per cent, the equivalent of a new smelter will be needed every year for the next decade.

Much of the increased capac-ity will be achieved by expanding existing smelters — and this might bring Outokumpu some business because flash furnaces and ancillary equip-ment can be installed in old facilities. However, he believes the next new smelter will be installed by Mitsubishi in

### Canadian gold mine plan

**WORLD COMMODITIES PRICES** 

By David Blackwell

CONTINENTAL GOLD, a company formed just over a year ago, believes it is on course to open what will be the second biggest gold mine in

Canada late in 1992.

Drilling tests already carried out at its Mount Milligan gold and copper site in British Colgest the mine would produce 192,000 ounces of gold and 44m lbs of copper a year for 15 years.

But the company is confident that further survey results expected soon will lift expectations to 278,000 ounces of gold and 63.9m lbs of copper over the same period. Only Hemio's Golden Giant mine is more productive in Canada, with 332,000 ounces of gold a

Mr Bob Dickinson, president of the company, said the project was financed until feasibil-ity studies finished next year. Continental owns 70 per cent of the project in a joint venture with BP Resources Canada which owns the remainder.

At the higher rate of recov-ery expected, the partners will need to raise C\$230m to go ahead with the open cast mine. Mr Dickinson said the mine was an unusual discovery for British Colombia. "It is the gold/copper mix that makes this a significant discovery."

# Aluminium growth 'unharmed'

By Kenneth Gooding

THE period of very high aluminium prices last year was too short to do any serious damage to the metal's demand prospects and consumption should start to grow at a "respectable pace" again from 1990 onwards, suggests the Anthony Bird Associates consultancy group in its latest ainminium analysis.

The sharp deterioration in aluminium's competitive position to mid-1988 is partly responsible for the current sluggish growth in consump-tion "and will continue to exert a depressant effect for some

months yet," it adds.

reports Drexel Burnha

nomic alowdown which is developing in the industria-lised world is particularly marked in metal-intensive sectors such as car, production and construction.

Outokumpu first developed its flash smelting method in the aftermath of the second

world war. Finland had lost 20

per cent of its hydro-electric

generating capacity and faced a power shortage as new indus-tries pushed demand and prices higher. In 1948 power

costs represented 40 per cent of total copper production costs. Outokumpu's metallurgists responded with an idea which

had never been tried on an industrial scale – autogenous smelting. The method uses the

latent heat contained in sui-

phide ores as the energy source

to bring the ore concentrate up to smelting temperature.

Consequently; aluminium consumption in 1989 is forecast to remain virtually unchanged from last year's level of 13.7m

Until the recent past Bird has given repeated warnings that the industry was not investing enough in new capac-ity to keep pace with projected nand. It now says, however,

that, after discounting projects

which are unlikely to come to fruition "we think the amount of new smelter capacity now being planned for the longer term is about right."

optimisitic, it points out. the producers have resulted in aluminium moving back into surplus again and producer

stocks have started to rise. Aluminium Analysis, quar-serly from Anthony Bird Associ-ates, 193 Richmond Road, Kingston - upon - Thames, Sur-rey, KT2 5DD, £395 a year.

47.16

46.70

### **LCNDON MARKETS**

extending early gains in the afternoon

COPPER prices closed ahead

in British Colombia had voted in favour working after their labour contract continued. Earlier this month, the history of strikes at the mine, which differences. The early advance was supported by news of stock falls on both Comex and the LME. A 10,275 nne fall in LME warehouse stocks of aluminium pushod prices higher, centinuing Friday's lirmer trend, and reflecting a tightoning of mid-July delivery dates as traders sought to cover against potential commitments

SPCT MARKETS

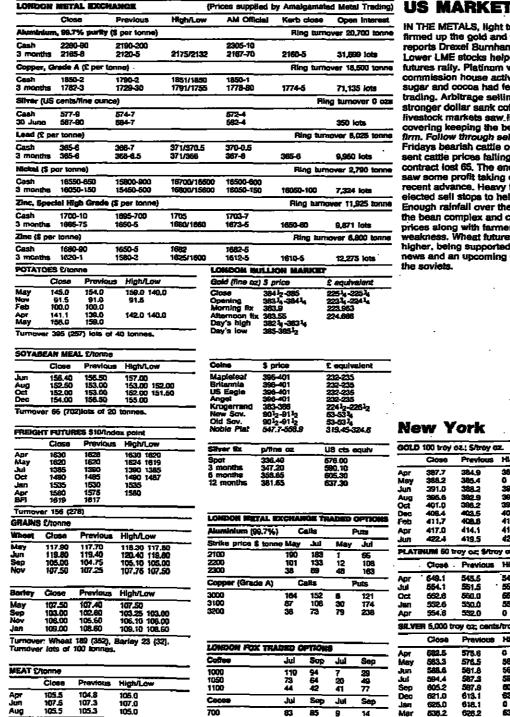
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WT1 (1 pm eat)	\$21 10-1 150	+0.05
Oit products INWE prempt delivery per to	onne CIF)	+ or -
Promium Gasoline	\$293-295	+1
Gas Oil Hravy Fuel Oil	\$161-163 596-100	-1
Nophtha	\$183-185	-f
Petroleum Argus Estimates	<u> </u>	
Other		+ or -
Gold (per tray och Silver (per tray och	5304 75 560c	+ 0.25
Platinum (per trey oz)	\$544.0	-36
Palladium (Por troy oz)	\$168,75	<b>-1</b> 25
Aluminium (free market)	\$2305	+ 125
Copper (US Producer) Load (US Producer)	1445g-148¢ 37 5€	-1 <sup>3</sup> 8
Nickel (free market)	745c	+30
Tin (European Irea market)		+875
Tin (Kusia Lumpur markot) Tin (New York)	27 697 484 Se	-0 78 + 3.0
Zinc (US Prima Wostern)	87 "gc	1 0.0
Cante (live weight)†	118.78c	+0.231
Sheep (dead weight)†	259 41p	+ 9.58*
Pigs (live weight)	86 84p	+ 0.481
London daily sugar (raw)	\$311.0u	+16
London daliy sugar (while) Tato and Lyle export price		+2
<del></del>		<b>+ 1.5</b>
Barley (English feed) Maize (US No. 3 yellow)	£103,75w £134	
Wheat (US Dark Northern)	C125.75x	
Rubber (spot)	58.50p	+0.25
Rubber (Jisn)♥	67.00p	+0.25
Rubber (Jul) 🛡	56 50p	
Pubber (KL RSS No 1 May	297.5m	-1.5
Coconut oil (Philippines)§	\$560×	+5
Palm Oil (Mataystani)	54052	
Copra (Philippines)§ Sovaboans (US)	\$350 \$205z	
Caran "A" Indos	75.05-	1 A 40

C a tonno uniese otherwise stated, p-pence/kg. g-Jun. s-Apr/May, w-Aug. z-May, tMeat Commission average lassrock prices, \* change from week ago, PLondon physical market. SCIF Rotterdam. 🛖 Buillon market tilose, m-Malay-sian cents/kg.

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May	806	810	803 808 805 799
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Nov	1055	1048	1065 1053 1067 1048
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May	1040	1040	1050
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Apr 21	Comp. d	ally 119.7	ents per pound) k 5 (120.27) . 15 de
everage	9 117,13 (1	16.73)	
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Aug	278.60	276 80 277.00	280.00 274.60
Oct	276 60	274 60	278.00 272.80 272.00
Doc Mar	275.00 267.40	270.00 265.40	267,40 266,00
White	Close	Pravious	High/Low
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Oct Dec	322.00	321.00	321.00
Mar	317 00	314.00	317.00 315.00
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CRUSCE Jun Jul Aug Jul Aug IPE Ind Turnov  GAS Of  May Jul Sop Oct Nov Turnov  Termov  Termov  Artic  Brok generat  Africa	Close 19.63 18.63 18.63 18.75 18.75 18.74 18.75	Provious 19.89 18.95 18.15 18.15 18.15 18.25 154.00 152.75 154.00 152.75 153.50 155.25 155.25 157.00 157.50 248 packag offshore, r lation. The	19,90 19 55 19 00 18.67 18.20 18.04  High/Low 159 00 157.75 154.00 152.00 154.50 153.00 154.50 154.50 159.00 157.00 100 tennes
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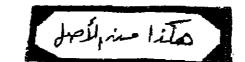
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ct 157.50 157.00	00 00	155.75	155.25	156.00 154.5	
TEA There were 22.048 packages on offer including 6,800 effahore, reports the Tea Brokers' Association. There was good general demand with bright liquoring Africans again the strongest feature and prices conseitines also sold well at fully firm rates but picliner sorts proved irregular and often easier. Ceylons met useful competition and prices confilince to be fully firm following qualify. Offshore teas were well supported with brighter descriptions gaining 2-4p par kilo. Quotazions: quality 189p. medium 1039 (same), low medium	ict			100-00 147.5	~
TEA There were 22,048 packages on ofter including 8,800 offshore, reports the Tea Brokers' Association. There was good general domand with bright liquoring Africans again the strongest feature and prices sometimes substantially dearer. Better modiums also sold well at fully firm rates but plainer sorts proved irregular and otten easier. Ceylons met useful competition and prices continued to be fully firm following quality. Offshore tess were well supported with brighter descriptions gaining 2-4p per kilo. Quotations: quality 1939 (1899), medium 1039 (samo), low medium	ίον			159.00 157.0	36
There were 22.048 packages on offer including 8.000 dishore, reports the Tea Brokers' Association. There was good genoral demand with bright liquoring Africans again the strongest feature and prices sometimes substitutely dearer. Better modiums also sold well at fully firm raise but plainer sorts proved irregular and often easier. Ceylons met useful competition and prices continued to be fully firm following qualifly. Offshore teas were well supported with brighter descriptions gaining 2-4p per kilo. Quotazions: quality 1529 (1899), medium 1039 (samo), low medium	umove	4254 (6	500)lots of	100 tonnes	
There were 22.048 packages on offer including 8.000 dishore, reports the Tea Brokers' Association. There was good general demand with bright liquoring Africans again the strongest feature and prices semetimes substitutely dearer. Better modiums also sold well at fully firm raise but plainer sorts proved irregular and often easier. Ceylons met useful competition and prices continued to be fully firm following qualifly. Offshore teas were well supported with brighter descriptions gaining 2-4p per kilo. Quotations: quality 150, 160, 160 per kilo. Quotations: quality 150, 160 per kilo. Quotations: quality 150, 160 per kilo. Quotations: quality 150, 160 per kilo. Quotations: low medium					
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	months months	347.20 358.65	5	90.10 05.30		Apr	387.7	384,9	386
	months	381.65		37.30		May	388.2 391.0	385.4 388.2	0 391
						Jun Aug	395.6	392.9	396
						Oct	401.0	398.2	399
LC	MEDON ME	AL EXCHAN	OE TH	وعظم	OPTIONS	Dec Fob	408.4 411,7	403.5 408.8	407
AL.	uminimu (9)	),7%) C	alls .		Puts	Apr	417.0	414.1	416
-	rike price \$		نبد	May	Jul	Jun	422.4	419.5	42
21		190	183	1	95	PLATE	NUM 50 1	70y 02; \$/tre	yy 02
	90	101	133	12	108	. —	Close	Previous	Щ
_	<u> </u>	38	89_	48	163	Apr	549.1	545.5	546
_	opper (Grade	a A) C	els		Puts	Jul	554.1	551.5	556
30		164	152	8	121	Oct	552.6	560.O	655
31 32		87 38	108 73	30 79	174 238	Jen Apr	552.6 554.6	550.0 552.0	553 0
		•							
						SILVE		oy oz; cent	_
2.0	MINDS FIX	TRADED O	17/7	-			Cłose	Previous	HH
_	foe	Jul	Sup	Jul	<u> </u>	Apr	682.5	575.6	٥
10		110	94		Sep_	May Jun	583.3 588.6	576.5 561.8	58: 58:
. IU		73	64	7 20	29 49	Jul	594.4	587.3	580
10	<b>3</b> U		42	41	77	Sep	605.2	597.9	60
		44				Dea	621.0	613.1	62
10		Jul	Sep	Ju	Sep	lan	626.0		0
10 11 Ca	00		Sep 85	9 Jul	Sep 14	Jan Mar	625.0 635.2	618.1 628.2	0 63
10 11 Ce	0000	Jul						618.1	0 634 646 650

							_			<u>_</u>	<del></del>	<del></del>	
S M	ARKE	:TS			<u>.                                    </u>	· ·			_ Ch	icag	D	· .	
THE MET	ΓALS, ligh	t trade t	uvina	COPP	ER 25,000	libe; cents			SOYA	BEANS 5.0	00 bu min; o	ents/60a h	mhel
	ne gold ar				Close	Previous	High/Lov			Close	Previous	High/Low	
	xel Bumh			Apr	140.15	138.60 .	142.70	140.20		744/4	<del></del>	<u> </u>	
	stocks he			May	139.65 137.10	137.85 134.70	142.80	139.50 . 0	May	748/4	·760/0 767/0	752/4 757/4	739/4 744/0
	/. Platinur			رسل الحال	134.60	131.96	136.40	134.30	Aug	748/4	763/6	754/0	741/0
			the softs,	Sep	128.90	125.96	130.00	128.50	Sep	731/0	745/0	735/0	726/0
	occa had			Dec	122.90	120.05	123.30	122.10	Nov - Jan	722/4 731/4	735/4 744/4	725/0 733/0	715/0
	Htrage se			CRUE	E OIL (LIS	ht) 42,000	US gells \$/	berrel -	Mer	740/4	752/0	740/4	725/0 734/0
	iiau sauk Arkets sav		rices. The		Latest	Previous	High/Lov	7	May	739/0	755/0	744/0	739/0
	eping the				20.80	21.32	21.34 .	20.70	SOYAL	BEAN OIL	60,000 lbs; c	ents/th	
	through:			البال	19.48	20.17	20.17	19,40		Close	Previous	High/Low	<del></del>
	rish cattle			Aug	18,75	19.49	19.51	18.75	****			<del></del>	
	orices fall			Sep Oct	18.40 18.15	19.00 18.62	19.04 18.70	18.80 18.25	May . Jul	22 92 23 48	23.27 24.41	23.28 23.89	23.43
	t 65. The			Dec	17.83	18.09	18.20	17.89	Aug	23.75	24.25	24.17	23.72
w some p	profit takin	ig easing	) its	Jan	17.77	17.57	18.03	· 17.77	Sep	23.95	24.47	24.38	23.95
ent adva	nce. Heav	ry trade	selling	HEAT	NG OIL 4	2,000 US o	alis, cents/	US galls	COCE Dec	24.15 24.40	24.62	24.50	24.10
	stops to !				Latest	Previous			- Jen	24.65	25.00 25.16	24.85 24.91	24.40 24.85
			rend sank						- Mar	25.15	25.85	25.35	25.15
	mplex an			May Jun	5210 5105	5383 · 5273	5440 . 6360	5210: 5105	BOYAE	EAR NE	L 100 tohs;	Man	
			ng added	Jel	5010	5195	5250	5000 ,-		Close			
	Wheat fut			Aug	5010	5210	5260	5085			Previous	HighLow	
	g support n upcomir			Sep	· 5150 5240	5260 5370	5395 ··	5150 - 5240	May-	226.6 226.6	232.3	229.3	226.5
soviets.	i apconin	A HOOR	ing with	Dec	5400	5425	5433	6400 .	_ Aug.	224.2	227.5	227.4 224.7	224.7 222.0
QUFIQU.				6060		es;\$/tonne		<del></del>	Sep	220.7	224.5	222.5	220.0
			٠	-				· · · · · ·	- Dec	217.5 °	221.0	217.5	215.0
					Close	Previous	High/Low		- Jan	216.0	219.0 218.5	216.5 216.0	214.0 215.0
				May	1318	1323	1330	1310	Mar	216.0	216.5	216.0	215.0
				Jul Sep	1220 1216	1231 1229	1240 1232	1215 1215	HAITE	5.000 bu	nin; cents/50	Mb Mishal	
				Dec	1230	1241	1245	1228	· <del></del>	Close			
•				Mar	1233	1243	1245	1230			Previous '	High/Low	
				May	1242 1220	1254 1231	1254 1240	. 1242 '1216	May .	269/0 271/2	275/2	270/6	268/6
				Sep	1268	1280	1250	1280	Sep	265/0	271/2	273/g 266/6	250/6 264/0
				COFF	BE "C" 97	,500ibs; ce	nte/line		Dec	263/6	271/2	288/0	262/5
								<u></u>	Mar May -	270/0 · 271/0	277/2	272/0	258/5
					Close	Previous	High/Low		Jul .	273/0	278/4 280/4	273/0 276/4	270/4 272/4
				May Jul	141.80 135.54	142.00	142.25	140.05					2124
				Sep	129.31	137.00 131 <i>.2</i> 7	137.25 131.50	134.70 129.25		_	min; cents/t		
<b>V</b>	′			Dec	125.47	126.82	127.00	125.35	· —	Close	Previous	Highrow	
ew Y	OFK		•	Mar May	122.50	123.40	123.90	22.75	May	415AB	414/4	417/0 :	412/4
. 400 Lau				Jui	122.63 122.50	124.48 124.50	123.10 0	123.00	Jul Sep	404/0 411/4	402/0 409/0	405/0 41/44:	400/4
	oz.; S/troy a			Sep	121.00	121.75 -	ŏ		. Dec	423/2	421/0	42374	407/4 421/0
Close	Previous	High/Low		SUGA	R WORLD	*11° 112.0	00 lbe; cen	ts/bs	Mar	428/2	426/0	428/4	426/4
387.7	384,9	388.2	383.6	. ——	Close	Previous	High/Low	<del></del> -	May	421/0	421/4	422/4	421/0
388.2 391.0	385.4 388.2	6 391.7	Q 386.7						LIVE C	ATTLE 40,	300 lbs; cèid	s/ibs	
395.6	392.9	396.5	391.7	May Jul	12.60 12.68	12,54 12,54	12.63 12.62	12.40 12.38	-	Close	Previous	High/Low	. ,
401.0	398.2	399.5	388'D .	Oct	12.37	12.31	12.41	12.20	Jun	70.77	71,42	71.77	- 70.65
406.4 411,7	403.5 408.8	407.2 410.0	402.4 408.8	Jan	12.42	11.92	0		Aug	67.22	67.70	68.20	67.05
417.0	414.1	416.3	418.3	Mar	11.99	11,91	12.02	11.55	Sep	69.50	68.80	0	68.50
422.4	419.5	421.5	421.5	May Jul	11.99 11.95	11.85 11.81	· 11.98 0	11.84 0	- Dea	68.87 70.12	58.95 70.07	69.62	68.70
TRUM 50 h	roy oz: \$/tro	v 62					<u> </u>	<del>-</del> -	Feb	70.80	70.07 70.60	70.65 71.22	89.80 70.50
				ÇÜ! II	<del></del>	Cents/libe				208 20 no	0 lb; cents/li		70.00
Close	Previous	High/Lon			Close	Previous	High/Low						<del></del>
649.1	545.5	549.0	544.0	Mey	64.80	64.91	.65.25	64.79		Clase	Previous	High/Low	:
554.1	551.5	556.0 .	647.0 547.0	Jul	66.05	66.46	66.46	86.00	. Jun	45.57	45.60	45.90	45.10
552.6 552.6	550.0 550.0	653.0 553.0	562.0	Oct	65.90	66.35	66.40	65.94	Jul	48.50 .	46.32	48.77	45.90 .
554.6	552.0	0	ă	Dec Mar	65.11 65.90	65.48 65.75	65.50 · · ·	65.00 65.70	Oct	45.62 42,12	·45.45	45.80	44.85
				Jul	66.25	65.35	66.25	66.25	Dec ·	44.15	42.25 44.27 ·	42.60 44.56	41.90
	oy ca; cente			_			cents/lbs		- Feb	45.52	45.75	45.96	43.87 45.50
Ciose	Previous	HEGIVLON	<u>'                                     </u>	<u> </u>				<u> </u>	ADT	44.70	44.85	44.70	44,45
682.5	575.6	6	0		Close	Previous	High/Low		JUII	47.16	47.25	47.15	48.80
583.3	576.5	585.5 .	. 575.0	May	176.00	175.90	176.20 .	174,78;	PORK E	ELLIES 4	),000 lbs; ce	nts/lb	
588.6 594.4	561.8 587.3	586.0 586.5	588.D 586.0	Jul	178.60	178.35	179.10	.177.65		Close	Previous	High/Low	<del></del>
605.2	567.8	980.5 607.5	566.5	Sep	175.85 163.75	174.75 163.25	176.15 164.06	174,45	May ·	31.45			
621.0	613.1	625.0	613.0	Jan	. 157.70	157.15	157.95	157.90	Jul	31.60	31.30 31.37	31.55 31.80	30.75
625.0	618.1	0	0	Mar	157.30	156.60		0 1	Aug .	31.20		31.55	31.07
535.2	628.2	634.0	634.0 646.0	May	157.30	156.60	0	0 - ,	Feb.	47.25 `	47,42	47.70	47,17
646.6	636.5	646.Ŭ		. But	157 30	155.50	ο -		Mar	46.70	46 05		



Low

89.29

85.84 (13/4)

95.93 (4/1)

154.7 (17/2)

Gitt Edged Bargains

Gift Edged Bergains

Equity Bergains
Equity Value
5 - Day average

S.E. ACTIVITY

London Report and latest
 Share Index: Tel. 0898 123001

Hìgh

105.4 50.53 (28/11/47) (3/1/75)

734.7 43.5 (15/2/83) (26/10/71)

100.9

176.3

100 2

192.9

Low

Apr 21 Apr 20

Volume Closing Davis
000's Price charge

21.06 mm 25 mm 25 mm 26 mm 26

111.6

#### LONDON STOCK EXCHANGE

# Thin trading in nervous stock market

THE UK stock market played a waiting game yesterday as the leading trading houses battened down the hatches ahead of Wednesday's announcement of the UK trade figures for last

htice

Sim

month.

Turnover was thin and there, was no general response from the equity market to a batch of corporate developments, notably an unexpected £1.4bn hid by Ranks Hovis McDougall (RHM) for its Australian torporate. mentor, Goodman Fielder Wat-tie, holder of nearly 30 per cent

of the RHM equity. The market's nervousness ahead of the UK March trade figures was not helped by criti-cisms from a UK Parliamen-

May 18 Jun 1 Jun 2 May 30 June 12 Q4 may take place from more days earlier

tary Committee of forecasts for the year from Mr Nigel Law-son, the UK Chancellor of the Exchequer. However, with both starling and the London money markets steady yester-day, the equity market was content to wait for Wednesday's announcement.

Share prices edged ahead in

pects. As well as the benefits due from the new point of sale retailing technology, he identi-fied the company's defensive qualities of low price tag for goods and strong asset backing

as good reasons to have the stock. Both analysts reiterated

their buy recommendations and the Boots price touched 282p before settling back to

280p, a net rise of 3, on a good turnover of 2.7m.

Friday's fuss over Beecham

gave way to disappointment when a widely-anticipated bid announcement from Hoff-

mann.La Roche failed to mate-rialiss. Beecham shares slid to 627p before closing at 628p, a

net fall of 7, in moderate turn-

A busy 4.1m Fisons shares changed hands and the shares settled near the day's best at 312p, for a rise of 7. Dealers

cited two reasons for the rise: Pisons have been overlooked during recent activity in the

pharmaceutical sector in the

wake of the Beecham-Smith-Kline Beckman merger plan, and that, as one of the smaller

independent pharmacentical

hid target.

ICI added 4 at 1174p shead of

the first quarter figures, due on

Foursday,
Tootal sprang few surprises
with annual profits of £42.2m
compared with £40.3m last
time but the shares moved 2½

higher to 129 %p, influenced by

circumstances surrounding Mr Abraham Goldberg's share-

holding of 24 per cent. Mr Peter Hyde, a Kleinwort

Benson researcher, said last week that he suspected the slow acculumation of the stake

would continue for sometime

before a bid was launched, although in the longer term a

bid did look the most likely

outcome. After studying yes-terday's results some analysts fait Tootal could be keeping a little back in case of an offer from Mr Goldberg.

... A: 60 conts a barrel fall in oil

prices and no news of a re-start of pumping from the field sur-

rounding the Cormorant Alpha

platform kept the pressure on

the oil and gas sector.

Tornover in the majors was

anies, it might become a

early dealings when there were signs that a few small trading programmes, priced late on Friday, were brought to the market. However, turnover never looked impressive and an early rise of 10.5 on the FT-SE Index was lost later as London began to look increasingly uncertain ahead of Wall Street's opening.

Suggestions that the Dow Average might test 2,400 again were soon proved only too jus-tified, and the UK market sagged back to its overnight levels. At its final reading of 2,062.0, the FT-SE Index was just one point up on the ses-

FT-A All-Share Index

**Equity Shares Traded** 

Mar Apr

Turnover by volume (million)

600

400

200

Feb

turning over anything like

usual activity. Shell settled a couple of pence up at 404%p boosted by demand from US securities houses,

Goal Petroleum held at 104p

after news that on April 18

four of the directors exercised

options totalling some 1.4m ordinary shares under the

Share Option Scheme 1985 and

subsequently sold 1.146m shares on that day at a price of 96p, compared with a closing

market price that day of

100%p.

Kelt edged up to 56p after news of the latest disposal of

the former Carless Capel down-

stream assets, this time the Pentagon speciality chemicals business for £14.6m, a good

price, according to analysts.
The banks arena suffered

more than most from the lack of activity. Standard Chartered

made early progress, touching

520p on renewed and vague stories that Lloyds may come back with another bid for the

bank, but then drifted off to

close only a few pence ahead at 517p. Bank of Scotland slipped a couple of pence to 94p ahead

of the preliminary figures scheduled for Wednesday.

on. Seaq volume of 340.8m

shares compared poorly with Friday's 400.7m, and with last week's daily averages. Yester-day's total took in heavy tradany's total took in neavy training in selected speculative stocks with ASDA, the supermarket group, standing out on continued hints of US demand. But turnover in several of the

market's larger longer-running takeover stories was thin. The keenly-awaited corporate announcement from Hoffmann-La Roche proved a disap-pointment for speculators hoping that the Swiss chemi-cals group would take an immediate hand in the Bee-cham-SmithKline Beckman

merger plan. Beecham shares settled

non-insurance company as ulti-mate holding company of the

group. There were also stories in the market of the company

ttempting to "bid-proof" itself. Costain advanced early in the session, reaching 318p

before closing a net 5 higher at 316p. Market stories suggested

there had been plenty of

"switching" from Redland into

Costain, although this could not be confirmed, and there

were also whispers that the

Trafalgar House stake, 8.4 per cent, could be on the move

Among quietly traded retails stocks GUS, up 6 at 1033p, Rat-

ners, 4 better at 213p, and W H Smith, the "A" variety 4 firmer at 286p, benefited from a Shear-

son Lehman Hutton note on

the sector which singled the three out (with Boots) as worth

supporting in a sickly sector.

Turnover in the leading elec-tronics and telecommunica-

ions issues was at its lowest

level for some time. GEC just

headed the active stocks list in

the sector with a patry 3.1m shares traded. The stock drifted back 2 to 230p - "dead," was the description of business

offered by one trader. Piessey,

where Alian Jones, director of

defence systems announced his

resignation yesterday, dipped

Racal Electronics stood out

against the rest of the sector

after a "buy" recommendation issued by the electronics team

at Nomura Research Institute.

Mr Hank Powell and Mr Martin

Mabbutt at Nomura, in a note

labelled, "The rerating contin-ues", say, "the market valua-tion of Racal has yet to fully reflect the benefits of its major-

ity stake in Racal Telecom

The Nomura duo also noted

that Racal are pursuing a spon-sored ADR listing "which will lead to the US cellular valua-

tion methodology being more fully reflected in the Racal

gramme of divestment and

joint venturing is being

core business areas."

up 5 to 117p.

the same to 261p on 1.2m.

lower in only moderate trade as dealers returned to the view that, with no third party currently showing interest in chal-lenging the SmithKline merger plan, the market has priced shares in the UK chemicals and pharmaceuticals group soundly.

Ordinary

Gold Mines

Ord. DI. Yield Earning Yid %(full) P/E Ratio(Net)(\$\dot\) SEAO Bargains(5pm Seater Turnover(Em)

DAY'S HIGH 1712.1

Also traded relatively lightly was Consolidated Goldfields, which fell back as London awaited news from a crucial court hearing in New York. Tomorrow at 1 pm London time is the deadline for Minorco's £3.5bn bid for Gold Fields, but there were no signs yesterday of any significant investment activity in London by the big institutions.

Asda, where another 18m Composite insurers showed Sun Alliance 5 harder at 1118p after the group revealed its intention of establishing a new

> Press reports that the Goverment was considering the widespread irradiation of food

price worth the equivalent of about 51p. Haden closed a penny better at 227p, some 3 below the best of the day. Really Useful followed the

A stock shortage and vague talk of either management of levaged buyout plans boosted Prestwich Holdings to 130p before the price subsided to

shares changed hands, climbed 7 to 160 4p on further speculationthat a bid will be launched, either by A&P of the US or Aldi, a West German retailer. Sir James Goldsmith, the Anglo-French financier, was also mentioned as a possible stakebuilder.

The talk yesterday, as all last week, was of strong US West German interest in Asda. One analyst noted that such talk could involve just one predator, because a West German private supermarket group, Tengelmann, has a con-trolling stake in A&P. It is also believed that a West German retailer has recently been looking into the possibilities of making an offer for a quoted

UK supermarket group.
Gateway, 5 better at 191½p
on turnover of 20m shares, were buoyed by expectations that a bid could be launched to rival the existing 195p-a-share offer from Isosceles.

liable to contamination boosted Isotron 29 to 2360 in thin trade. Haden Maclellan's £20m agreed bid for WA Holdings helped the latter put on 8 to 49p, compared with the offer

successful opening last week of its latest West End show with the £1m purchase of the copyright on a 21-year old musical. The price climbed 15 to 658p.

reacted to close with little 128p, a net 5 better.

Royal Bl. of Scortand Royal Inserance STC Sazechi & Sagechi 

FINANCIAL TIMES STOCK INDICES

4.55 11.02 10.96 25,623 1297.40 29,524 511.3

TRADING VOLUME IN MAJOR STOCKS

●3 p.m. ●4 p.m. 1703.4 1703.9

86.82

97.29

4.52 10.96 11.01

27,721 1456.03

97.22

85.98

●Opening ●10 am, ●11 am, ●12 pm, ●1 pm, ●2 pm, 1706.0 1710.7 1710.9 1709.0 1708.0 1705.7

DAY'S LOW 1701.5

Basis 100 Govt. Secs 15/10/25, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, WNII 10.82 (Excluding Intra-market

change on the session at 40p. Ketson dropped sharply, losing 7 to 23p, with traders sounding none too optimistic After its shares were suspended at 98p property group Marler Estates announced it had received a about the annual results which are due any time now. Serif Cowells also weakened to close bid approach; the market believes Marler is in discussions with Conrad Holdings, a further 13 down at 123p, still reflecting the warning of reduced profits owing to probthe group run by Mr John Duglems with the printing divigan, the former chief executive at Mountleigh. Conrad Holdings ended a touch better at

that Lincoln County Council

Addison Consultancy hard-110p. Randsworth Trust added 4 at 273p on talk that Priest ened to a new peak of 46%p amid speculation that the two rival stakebuilders were Marians (434p) was adding to attempting to increase their holdings. Motivaction, the its 4.2 per cent holding. French group, holds 21.7 per cent of the Addison equity and

Industries

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The latest acceptances (nearly 83 per cent) and exten-sion of the Hambros offer for Hambros Investment Trust left MAI 15.6 per cent. JMD greeted the bounce back to profitability and intenshares of the latter 31/2 up at 3011/2p. British Empire Securities (46%p) hardened following tion to resume dividend payments in the current year by rising to 44p but enthusiasm soon waned and the shares the first-half return to profit-ability while American Trust (136p) improved after news

held a stake of 10.47 per cent. Lonrho were quoted ex the one-for-six scrip issue but few investors seemed to care and after minimal trade the shares ended at 278p, virtually unchanged after the adjust-

Business in traded options fell back to the unsually low level of 18,748 contracts, made up of 11,895 calls and 6,853 puts. Turnover in the FT-SE 100 Index came to 4,220 contracts, consisting of 2,640 calls and 1,580 puts. TSB attracted 899 calls and 600 puts, to lead the field of individual stocks. PLessey saw 1,307 contracts and Cadbury Schweppes 1,179, while Consolidated Gold Fields attracted 878 contracts.

Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 27

# Prey set to turn on predator

The early morning news of Rank Hovis Macdongall's dawn raid down under on the shares of Goodman Fielder Wattie, Sydney-based foods group, caught the market nap-ping and dealers half-awake. "Bemusement" was how one observer described the initial reaction to RHM's acquisition of 10.1 per cent of GFW and its plan to follow it up with a full bid worth £1.4bn. Dealers immediately marked RHM down nearly 30 points, before the shares settled at 365p,

down 24 on turnover of 3.1m. Two main concerns under pinned the fall in the RHM price: one, that the market could be flooded with RHM stock if the takeover succeeds (359m new shares will be issued to fund the offer); two, that opposition from either the regulatory authorities in Australia and New Zealand, or RHM's own shareholders, could scupper the bid.

Mr Carl Short, analyst at Kitcat & Aitken, said the key question was: "Whether RHM shareholders will vote to approve the bid; many appear to be viewing it as a tactical move, rather than a strategic one based on business criteria at present. This was a refer-ence to the widely held view that RHM's bid could be a ploy to force GFW to sell its 29.9 per cent stake in RHM (acquired during its failed bid last August), possibly as part of a swap for RHM's stake in GFW. Mr David Lang of Henderson

ime

Crosthwalte thought it unlikely that RHM's offer was a tactical ploy: more likely a serious attempt to wild control of GFW. "This is the deal that Goodman Fielder wants to do, so if it's allowed by the politicians it all comes down to the

Boots a buy

Boots attracted buyers in early trading, seemingly on the back of a small deal in Italy to buy the rights to two drugs. A more credible reason soon made itself apparent in the shape of an optimistic circular from Mr John Ballie, analyst at Cl-Alexanders Laing and Cruickshank. The impact of new management information systems on the retail side will put up margins dramatically," he said. "We are too conservative with our forecasts for final figures on June 8 and I expect to upgrade the current year's

Mr Michael Heery at Shearson Lehman reinforced this view of the company's pros-

#### well down on recent levels with only Shell (4.4m shares) **NEW HIGHS AND LOWS FOR 1989**

MENY HIGHS, (BS).

AMERICANS (B) Ameritach, American T.

2 T., Cambout Soup, Dana Copp., Nouston India, Southwestern Bell, Teanon, Und Tech., Whitesan Corp., CAMARIANS (I) Derien Inde., Inland Clas., EANICS (1) Capit. Leasing, SERVINGS (1) Mandle, Classing, SERVINGS (1) Mandle, SERVINGS (1) Leasing, SERVINGS (1) Leasing, Copper Leas

Young (N.), RIBURANCE (3) Amer. Ind.,
Travelers. Utd Friendly "6", LEISURE (4)
Cityvision. Classic Thibreds, Prestorich.
Really Usacid Grs., MOTORS (1) Allique
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AFRICANS (1) Anglo Am. Ind., TEXTLES
(1) Gaskell & Toom, TRUSTS (9) (6) Arabex
Pel., Chevron, Clasic Res., Total Cie, Triton
Europe, Tusicar Res., OVERSEAS TRADERS
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(1) Veste Entr.

MEW LOWS (15).
MANKE (3) ANZ, Sumiliomo Bank, TSS.
SAULDINGS (1) Carron Phoentz, STORES
(1) Shring Grp., ELECTRICALS (1) Macro
4, MOUSTNALS (4) Belacom, Fast Tech,
Hesteir, Wilss Grp., LESSIRE (1) Julisma's
Hidgs., PAPIES (2) Kelson, Serif Correlia,
PROPERTY (1) Warringtons, MEMES (4) Bond
Corp., Dragon Res., Dulle Grp., Elders Res.,
THESO MARCHT (1) Moray Firth.

#### actively pursued in the non-Racal Electronics managed a 4 gain at 397p while Racal Tele-WEDEN com put on 9 to 356p. Farnell Electropics, reporting interim figures today, moved up 4 to 150p, while Molynx, due to reveal prelimi-REPORT INDEX nary numbers tomorrow, edged Further consideration of last Wednesday's preliminary fig-ures conspired with an early 1.9.8.9 stock shortage to add 13 to Hawker Siddeley but the shares later retreated in thin

than four years ago. In 1988, the Group had 21,200 employees and a turnover of GBP 2,343 million. 75 per cent refers to chemicals industry, the

Nobel

undergone

remaining part is mainly ordnance industry. The result for 1988 amounted to GBP 86 million, a 50 per cent increase from last year.

In the past four years, we have worked on adapting our Group structure to our long-term objectives. By acquisitions and large investments, we have further developed those operations which are in line with our aims.

figure very prominently. Our ability to protect satisfactorily the environment - outdoor and indoor - is an important means of competition, and in the long-term, a matter of survival.

Our strategic objective is to be active in those areas in which we are

In our investment programme, the environmental aspects also

able to be competitive. In the chemicals sector we have defined Consumer-related products, the success of which is determined by marketing, brand-names, distribution channels and market share.

Products in which the Nordic market accounts for a significant part of the world market and gives us a good platform for expansion. Niche products, in which - through high technology, much expertise or a superior production structure - we will be able to attain an important share of the world market.

is Nobel Industries operates through Business Areas: Sweden's largest chemicals Biotechnology Nobel Biotech and ordnance company Pulp and Paper Chemicals Eka Nobel

which, in recent years, has Ordnance Bofors substantial Chemicals and Explosives Nobel Kemi change during a period of Consumer Goods Nobel Consumer Goods very rapid growth. In four Adhesives and Paints years, sales have more than Plastics Casco Nobel Nobel Plast doubled, results have tre- Surface Chemistry Berol Nobel

bled and earnings are six A listed industrial conglomerate, Pharos, is also a member of and a half times greater the Group.

#### **APPOINTMENTS**

#### Rediffusion Simulation chairman



Mr Jeff Sandiford (above) has joined REDIFFUSION SIMU-LATION, Crawley, as chairman and managing director-designate. He will take over from Mr Derek Young after a period of familiarisation. Mr Young will remain a director and adviser to the new chair-men. Mr Sandiford was chairman of Singer Miles-Link. Rediffusion Simulation was acquired last year by Hughes Aircraft Company and is part of the training and support systems group based in Long Beach, California.

#### Restructure at Midland

MIDLAND BANK has appointed five corporate directors in UK banking from May I as part of a management restructuring phasing out the post of regional director. The team of 12 corporate directors will now have responsibility for relationships with the business community in their regions. Mr Elfed Roberts, regional director for Wales, becomes corporate director for Wales, Mr John Massey, regional director for north Thames, is made corporate director for the home counties. Mr Leonard Hazael, corporate director for London south, is appointed corporate direc appointed corporate director for the City and West End. Mr David Shelley, a corporate area manager for the City, is promoted to corporate director for London south. Mr Adrian Neaves, managing director of Coldin. Griffin Factors, is to be corporate director for the West Midlands.

# LLOYDS INVESTMENT MANAGERS has appointed Mr Michael Boggis as a director responsible for direct property investment. He was managing director of Allied Dunbar Property Funds. He also becomes a director of parent company Lloyds Merchant Bank.

Mr Peter Kowarth has been appointed managing director

#### Chief executive at Singer & Friedlander

Mr John Hodson has been appointed chief executive of SINGER & FRIEDLANDER LTD as part of a long-term planned succession at the merchant banking group, writes David Lascelles, Banking Editor, Mr Tony Solomons, currently the group chairman and chief executive, reaches retiring age of 60 in January 1990, He will remain chairman of the group and non-executive chairman of its subsidiaries until that time. Mr Hodson takes over as chief executive of the bank and the holding company. Mr Hodson, who is 42 and has been with Singers for 20 years, was previously in charge of its investment management activities. He said yesterday that he intended to pursue the policies which had enabled Singers to flourish as an independent merchant bank and achieve steady growth in profits and assets.

of CALMIC SERVICE UK and Calmic Service Ireland. He was divisional manager for Wellcome Hygiene, now known as Calmic Service UK, part of the Wellcome Foundation.

■ PEGSON, Leicester, has appointed Mr Alan Richards as deputy managing director. He was technical director.

Mr Wallace Stein has been

#### Senior post in Welsh banking

trading to close a net up 7 at

678p.
Retailers remained the focus

of attention in the Foods sector as investors sought Asda and Gateway in hectic trading on hopes of bids and counter-bids.

■ Mr Richard Eric Cave has been appointed managing director and chief executive of JULIAN HODGE BANK. Cardiff. He has been with the Hodge Group since 1966. The group was acquired by the Standard Chartered Bank in 1973. In 1975 Mr Cave was appointed managing director of Forthright Finance, wholly-owned instalment credit subsidiary of the then Commercial Bank of Wales. which in turn was an associate company of the Hodge Group. He was appointed to the main board of Bank of Wales Group in 1978 and a non-executive director of The Carlyle Trust

appointed a director of BALTIC from May 2. Formerly a director of Forward Trust Group, he will be responsible for asset financing activities.

■ PARRISH STOCKBROKERS has promoted Mr Jeremy Harris-St John to assistant

Mr Andrew Dare, managing director of the St Ivel Group, and on the main board of Unigate, has become president of the DAIRY TRADE FEDERATION.

m Mr Steve Turner has been appointed to the board of CLARKE HOMES, a BICC company in the Balfour Beatty

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> Anders G. Carlberg, President and CEO

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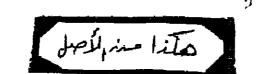
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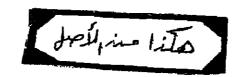
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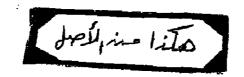
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Morey Acc   105.7   111.5   - Gold   38.1   40.2   -0.1   - Pees, lar, Fd. Ord   - Special Market Acc   13.2   140.2   40.2   -1   Inc Growth   279.4   252.1   41.6   - Pees, Fat in 17.6 Ord   Janus Equity Acc   141.2   149.0   -0.5   - Int Growth   157.5   165.8   40.3   - Pees Ind St.L Fd. Ord   North American Acc   100.3   105.9   41.0   - Int Recovery   22.2.7   225.5   -0.7   - Pees Cast Fd. Ord	397.1 376.0 - O Peps 288.2 333.5 + O B = Behin 148.0 155.9 - O 3 - World 290.3 220.4 + O I = Equilibrium 1671.8 1671.8 + O = Frant 1678.1 1678.1 + 6.6 - Frant 1678.1 1678.1 + 6.6 - Frant 110.5 105.8 + 6.6 - Frant 110.5 105.8 + 6.6 - Frant	IL. 205 3 21.6 2 +0.2 as Society. 120.1 126.5	38 Railway Rd, Coleraine Co. Londonstery. 026544 investment PortfolioJ 1325 139.5 -0.51 Chase de Vere PLC 63 Liacolar's Inn Fields, Loedon WC2A 3X 01-4045 Seferaird Fig. 100.2 United Kingdom Fd. 161.5 169.7 Worldwide Fd. 103.5 108.9 -0.1 Worldwide Fd. 103.5 108.9 -0.1 Worldwide Fd. 103.5 108.9 -0.1	Global Leisure Fund	2 66.09 +0.05 2.19 Frank 8 34.27 -6.07 1.42 Flegge 4 4% initial charge 24-28 523 each and bid	ng Graup Roe less, 1-Amagie 1-1148 Lerenbloory 030332-472771-0701-0365000 1 Physics Fund 1 Physics Fund 1 100701 11401   1008   1008   1009	ERSEY (**)
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Second County   Cou	1883 1984 - 1.6 - Marag 1821 1916 - 1.6 - Marag 1821 1916 - 1.5 - Marag 1821 1916 - 1.5 - Proper 1821 1918 - 2.7 - Fladi 1821 2924 2927 - 24 - INC En 2007 2028 - 27 - Set Lin 2007 2028 - 27 - Set Lin 2007 2028 - 27 - Marag	Apiestory (027%) 79400  452.1 455.1 455.1  5 332.1 349.6 40.4  61. 314.5 225.9 40.6  61. 121.5 225.9 40.6  61. 270.6 255.1 41.7  61. 270.6 255.1 41.7  61. 270.6 255.1 40.7  61. 270.6 255.1 40.7  61. 270.6 255.1 40.7  61. 270.6 255.1 40.7  61. 270.6 255.1 40.7  61. 270.6 255.1 40.7  61. 270.6 255.1 40.7  61. 270.7 255.1 40.7  61.	### Large Per Fold   72.5   76.4   1.5	- OCCFLSS	180 +0.028.62 The Sa 203 9.88 Merrill L 203 12.45 Apr 19	ngitok Fund wh int Central Imperit (Int) List Res USSAL 25 Gate (1,050 9976er into certs) Found Managers (Georgery) List per Found Managers (Georgery) List Oc. 1  Section 11 Section 12 Section 15 Section 15 Section 15 Sec	dity International ### Performance Performance ####################################
Product   19   123.1   241.8	117.5 125.6 -0.7 - Worth 139.1 146.6 -1.4 - Austral 184.6 -1.4 - Austral 184.6 -1.5 - General 185.0 125.6 -1.3 - General 185.0 - General 185.0 - General 185	100   175.77   100   175.77   100	Muble Lowndes & Parkness Ltd PO Box 144, Oropica   01-686-244   152-3   199.3   40.4   152-3   159.3   40.4   152-3   159.3   40.6   152-3   159.3   40.6   152-3   152.8   152-3   152.8   152-3   152.8   152-3   152.8   152-3   152.8   152-3   152.8   152-3   152.8   152-3   152.8   152-3   152.8   152-3   152.8   152-3   152.8   15	OCCT-USE	7.14 49.3213.29 Destactive 10.818 4.5119.96 Japanese Managed Damirus 0481.25021 Destactive 10.811.25021	10.00   10.0	Secretary Learn Co. 153.10 56.55 secretary Co. 153.10 1.12 secretary Co. 153.10 1.12 secretary Co. 154.64 57 sec. 155. 1.12 sec. 157. 157. 157. 157. 157. 157. 157. 157
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Managerd   335 7 563-0 24   Casts   Casts   137 2   137 2   Earts according to the latest   138 5   137 2   Earts according to the latest   138 5   137 2   Earts according to the latest   138 5   137 2   Earts according to the latest   138 5   138 1	116.3 122.4 0.1 - 00.1 1 0.0 1.1 1 0.0 1.1 1 0.0 1.1 1 0.0 1.1 1 0.0 1 0	pha	Murhall Master CMD	JEKSET SIB RECOGNISM Capital House Fauld Mors (C. PO Box 189, Capital He, Bath S., DO Box 174, Capital He, Bath S., DO Escital House Industrial County Pi Emillion Co. Capital House International County Pi Emillion	ASSIGNATION OF STATE	zzioni GENERALI SpA Janger Fd. (221.07 250.00) J	101. 152 0 07 05 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
State   Color   Colo	1002 111.7 -0.8 - Teach 1009 105.2 -0.3 - 12 Dark 1016 101.6 -1.0 - 12 Dark 102.4 100.0 +0.1 - Manne 102.4 100.0 +0.1 - Manne 102.4 127.7 -0.4 - Cast fi 1918 166.2 -0.6 - Pondo 187.4 197.2 -0.5 - Pondo	ness Assurance Company 148 historich Rd, Browth Bill 31, W 0202 29111 ef Feed	Former Pen Fel. 109-3 115-0 03 Conveyor ling (1500 1652 2 170.8 +0.2 Martinal Mayter (SM) 110.8 116.7 +0.2 Martinal Mayter (SM) 110.8 116.7 +0.2 Martinal Mayter (SM) 110.0 116.9 Pen Roministre Grasp 71, London Rd, Pelarbaycopi, PE2-98B (7733/C22 May Soft May 111.0 115.9 Pen May Soft May 111.0 115.9 Pen May Soft May 111.7 117.5 -0.2 May Soft May 111.7 117.5 -0.2 May Soft May 111.7 117.5 -0.2 May 111.7 117.5 117.	- Borth American 512.475 1.527 - Inguise 951.715 1.726 - Patric Barin 951.715 1.726 - Contractal Europea. 551.925 1.997 - Edd 551.338 1.395 - Barth 551.338 1.	1.622 482 — Harrier 1.632 481 — Swelst S 2.131 485 — Swelst S 2.131 485 — American 1.428 487 — M. Groot 1.428 487 — M. Groot 1.428 488 — American 1.607 482 — Swelst S	## Pri Migra (CD List   100 pt	7 Unit 2 mont (1907) the recording state of 20 1 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2

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	FINANCIAL TIMES TUESDAY APRIL 25 1989	41
	FT UNIT TRUST INFORMATION SERVICE	LONDON SHARE SERVICE
	Price   Pric	1989   Stack   Price   str.   Red.   1989   Stack   Price   str.   Red.   1989   Stack   E   -   Int.   Red.   45%   42% (Consols 4pc
• to	Seed of Development of Control Perfoliation   19.0   19.7   19.0   19.7   19.0   19.7   19.0   19.7   19.0   19.7   19.0   19.7   19.0   19.7   19.0   19.7   19.0	94.5 91.5 Free Sec 1972 # 91.5
The state of the s	Storting General Converses   \$1.276   Storting General   \$1.276   Storting General	Five to Fifteen Years    130   123   134   124   125   124   125
	Comparison   Com	1103   1104
eraj.	March April 20.   SSL1/46   L3/764   L2/46   L3/1764   L2/46   L3/1764   L2/46   L3/1764   L2/46   L3/1764   L2/46   L3/1764   L2/46   L3/1764   L	106   101   Treas 100   2004   101   11   11   11   11   11   11
na Ju	Pytologic Correct Services   List   Process Copy   Process Copy   List   Process Copy   Process Copy   List   Process Copy   List   Process Copy   List   Process Copy   List	Bid Offer + or Yield Price Price - Gross Price Price - Gross Kleintwort Besson (Guernassy) Fd Mongra KB Start on Asset - 122-37 25 07 at - 1 - 1 - 12 - 12 - 12 - 12 - 12 - 12
	Coloral Particle Fd.   1.380   6.35   40.31   1.37   1.380   6.36   40.31   1.37   1.380   6.36   40.31   1.37   1.380   6.36   40.31   1.37   1.380	Licysis Bank (CD I)   Margers   Miss   Miss
y. The state of th	Early Claim Familia   132.73   13.94   40.05   51.1 Nerthern's Lineau Mill 700   61-631 6776   61-	Context   Cont
	15t	Section   Sect
	Wayformy Investment agreement of the Committee of the Com	NM Incorre & Gwth Fd   Sil-53   1 -0.01   Secul International Trust   Secul International Trust   Secul International Trust   Secul International Fund   S
	Case   India   Case	Mornatura Growth Fund SA   Mornatura Growth
	Second Series   1.1.	Strategic International Gold Fund S.A. Hors Scorety Fo

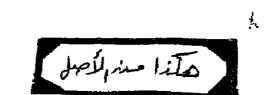
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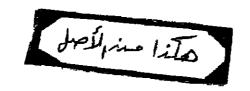
**LONDON SHARE SERVICE** 

42

LONDON SHARE SERVICE

CHARLES THE CONTROL TO THE CO INDUSTRIALS (Miscel.) - Contd. **CANADIANS** BUILDING, TIMBER, ROADS -Contd Low Stack
1.2°Cvy4846 Gold Corp |
4.1°cvy4846 Gold Corp |
4.1°cvy4846 Gold Corp |
4.1°cvy4846 Energy Corp.
co2pty4mer. Barrick Res.
2.3°pty4mer. Lightwave |
2.4°pty4mera.
2.1°pty4agmitte Epin
1.2°pty484gmitte Epin
1.2°pty486 Mortesi |
1.7°pty68 Nova Scot |
1.7°pty68 |
1 Cipeaugmitto Jipin
12 | Bis Montrail
13 | Bis Montrail
17 | Bis Montrail
18 | Bis Montrail
18 | Bis Montrail
18 | Bis Montrail
19 | Bis Montrail
10 | Bis Mo BANKS, HP & LEASING DRAPERY AND STORES 377 | 18.0 | 3.8 | 2.8 | 2.2 | 2.2 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | | Section | Sect | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 





FINANCIAL TIMES TUESDAY APRIL 25 1989	LONDON SHARE SERVICE	● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128
LEISURE   Control   PROPERTY   1909	### 22 West frest 2 to 1	1989   170
116 9600 7. 40c Prf 1 142 7.4% 8.8 7.30 1255 Losin Prop. Grp.   295d 45 8.25 8.37   4 100 125 125 Life Interestion Hotspar   117 -1 5.0 5.7   5.0   5.7   100 125 Losin Hotspar   117 -1 5.0   5.7   100 125 Losin Hotspar   127	48 49 Brit. Imps. Ses. 109. v 465 + + 10.66 0.3 1.9 195 496 Brit. Imps. Ses. 109. v 10.66 0.3 1.9 142 113Bramer ire	1.5   1.4   3.0   6.5   1.5   1.4   3.0   6.5   70   1.0   7.1   1.9   8.8
483 35jákerandri 100	290.5 234.5 g. 6 textr. in the Chical 200.0 23 23 25 5 5 25 5 25 5 25 5 25 5 25 5	74   Argenorie 25c   56c   0,70c   1.424.2   21.5   19   50c   12.7   6   6   7.7   6   6   7.7   6   6   7.7   6   6   7.7   6   7.7   6   6   7.7   6   7.7   6   7.7   6   7.7
148 Buller Sens 10p. v. 121	12   43   50   10   12   45   10   26   47   10   26   47   10   26   47   10   26   47   10   26   47   10   26   27   28   28   28   28   28   28   28	198   148 Bestrix Mioss    198   10682   1.0   7.8   400   5.0 cs. Gold 50c.   198   128   1
## 123   123   123   124   124   125   124   125   124   125	63 47 Do. Cap. 2n. y 353 8.5 1.2 3.2 1.2 3.1 3.2 1.2 3.1 3.2 1.2 3.2 1.2 3.1 3.2 1.2 3.2 1.2 3.1 3.2 1.2 3.2 1.2 3.1 3.2 1.2 3.2 1.2 3.1 3.2 1.2 3.2 1.2 3.1 3.2 1.2 3.2 1.2 3.1 3.2 1.2 3.2 1.2 3.1 3.2 1.2 3.2 1.2 3.1 3.2 1.2 3.2 1.2 3.1 3.2 1.2 3.2 1.2 3.2 1.2 3.1 3.2 1.2 3.2 1	7 Spikustralis Midalog H.L. 2016 2016 2120 2120 2120 2120 2120 2120
197	113   82   De. Cup.   V   44	22   22   23   23   24   25   24   25   24   25   25   25
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Quality PROMOTIONAL GIFTS

#### CURRENCIES, MONEY AND CAPITAL MARKETS

account deficit will renew

downward pressure on the pound and increase the possi-

bility of a rise in bank base

its stability, because the cur-rent high level of UK rates and the threat of a further rise

have combined to make it

extremely expensive to run short sterling positions.

The pound fell against the dollar to \$1.7050 from \$1.7150 but improved slightly in

D-Mark terms to DM3.1725 from DM3.1700. However, it lost ground against the yen to Y224.25 from Y225.25, and fin-ished elsewhere at FF10.7500

from FFr10.7575. It was unchanged against the Swiss franc at SFr2.8000.

The French franc remained underpinned by the relatively

high level of French interest rates and investor confidence in the French economy. The D-Mark fell to FFr3.3880 from FFr3.3915 on Friday.

(Inc Year

134-134 104-102 127-124 74-74 68-68 91-9 124-124 81-84 85-84 85-84 93-91 104-102

However, the pound retained

#### **FOREIGN EXCHANGES**

# Uncertainty depresses D-Mark | Short sterling slightly higher

erwise featureless market.

Traders are waiting for the release of US durable goods

orders today for March and

first quarter Gross National Product data due tomorrow.

With many investors remaining on the sidelines, the dollar lacked sufficient impetus to test resistance at DM1.8640, and closed at DM1.8610, still

well up from the close on Fri-day of DM1.8485. It was also

slightly firmer against the yen at Y131.60 from Y131.40. Else-where, it finished at SFr1.6425

where, it missies at 371-325 from SFr1.6325 and FFr6.3050 compared with FFr6.2725. On Bank of England figures, the dollar's exchange rate index rose from 67.7 on Friday to

Sterling traded very steadily; its exchange rate index opened and closed at 95.4 compared with 95.5 on Friday. Investor

interest in the pound has been subdued by the proximity of UK March trade figures, due for release tomorrow. A figure

much above the median fore-

42,4582 7,85312

EMS EUROPEAN CURRENCY UNIT RATES

+2.52

43,5293

EURO-CURRENCY INTEREST RATES

THE WEST German D-Mark overall improvement in an othlost ground in currency markets yesterday as investors switched their attention to the Japanese yen and the US dol-

Sentiment was undermined by suggestions that the Japa-nese central bank may increase its discount rate in response to uncertainty over the Recruit Cosmos share scan-dal which has undermined confidence in the Japanese admin-istration. There is also concern that the authorities may push rates firmer, after the imposi-tion of a new sales tax led to a sharp rise of 1.5 per cent rise in Japanese wholesale prices in the first 10 days of April over the corresponding period in

Investors are also cautious because many feel that an announcement about the West German 10 per cent withholding tax, expected on Thursday, will recommend a revision to the unpopular tax, rather than

The D-Mark was down to Y70.80 by midday yesterday from Y71.08 on Friday and slipped further in the after-noon to finish at Y70.71. It was also weaker against the Swiss franc, following news of an increase in several Swiss time

deposit rates, and the Swiss franc edged up to DM1.1330 from DM1.1320 previously. Weakness in the D-Mark helped the dollar to show an				German D-M German D-M French Franç Dusch Goldse Irish Punt Italian Lira	2.05 6.90 7		2 +1.00 5 +2.04 6 +1.15 6 +1.47	}	-0.68 ± +0.36 ± -0.53 ± -0.21 ±	1.0981 1.3674 1.5012 1.6684 4.0752
-		EM AG	•		for Eco, therefore po alculated by Financi		a weak currency			
Apr.34	La	iesi.	Previous Close	POU	ND SPOT	- FORWAI	D AGAII			
£ Spot	1.7055	1.7065 I	1.7130-1.7140 0.42-0.40se	Apr.24	Day's spread	Close	One seemth	% p.a.	Three snooths	% pa
3 months 12 months	1.29. 4.24.	1.27pm 4 14pm	1.35-1.33pm 4.43-4.36pm	US Carada Netherlands	1.7040 - 1.7185 2.0245 - 2.0380 3.574 - 3.585	1.7045 · 1.7055 2.0265 · 2.0275 3.57 · 2 · 3.58 · 2	0.41-0.38cpm 1.10pm-0.01cds 13-13cpm	2.78 0.27 6.08	1.29-1.25pm 0.39-0.23pm 5%-5%pm	2.98 0.61 6.15
-		SCORNES APPLY	y to the US dollar DEX	Beiglum Denmark Ireland	66.20 · 66.55 12.32 - 12.35 \	66.35 - 66.45 12.34 - 12.35 1.1895 - 1.1905	27-24cpm 43 <sub>1</sub> -35 <sub>1</sub> crepm 0.46-0.40cm	4.61 3.89	83-78pm 131 <sub>4</sub> -121 <sub>3</sub> pm 130-120cm	4.85 4.15 4.20
		Apr.24		W. Germany Portugal Spain	3.16 <sup>1</sup> 2 - 3.17 la 261.55 - 263.90	3.17 - 3.17 b 262 90 - 263.90 197 00 - 197.30	13-15 prpm 12-16cs/s 19-8csm	6.38 -0.64 0.82	5½-5½pm 31-58da 47-32ba	6.54 -0.68 0.80
8.30 am 9.00 am		95.4 95.4 95.4	95.5 95.4 95.6	Norway France	23234 - 23374 11.504 - 11.544	232612 - 233715 11.5014 - 11.5114 10.7415 - 10.7515	3-11 irepm 1%-1% orepm 3%-3% cam	1.63 1.63 4.18	8-650 6%-5% pm 11%-11% pm	提
		95.4 95.4	95.7 95.7	Sweden Japan Austria	10.774 - 10 81	10 784 - 10.794 2234 - 2244 22 31 - 22 34	11-11-prepar 11-11-ypm 211-101-grops	1.74 8.36	44-44pm 45-45pm 354-33-5pm	114
1.07 pm 2.00 pm 3.00 pm		954 954 954	95.5 95.5 95.5	Switzerland .	2.79 - 2.80 ½ 2.79 - 2.80 ½	27912 - 28012	14-14-000	6.05 5.89	4½-4½m	
4 00 pm		95.4	95.5	4.30-4.20cm	N	THE CO.OF				
CUR	REN	CY R	ATES	DOLL	AR SPOT-	FORWAR	D AGAIN	IST .		LAR
	Bank	Special®	European	Арт.24	Day's spread	Close	One morth	% 62	Three months	%   p.e.
Apr.24	rate %	Drawing Rights	Corrency Units	UK† ireland†	1.7040 - 1.7185 1.4310 - 1.4435	1.7045 - 1.7055 1.4315 - 1.4325	0.41-0.38csm 0.18-0.23cds	2.78 -1.71	1.29-1.25ps 0.45-0.55ds	298 -139 -239 3.11
Sterling U.S Dollar	i	0 760512 1.30770	0.654546 1.11908	Canada Metherlands .	1.1860 - 1.1895 2.0815 - 2.1010	1.1885 - 1.1895 2.0995 - 2.1005	0.23-0.27als 0.55-0.53com	352	0.68-0.74db 1.65-1.61pm	갦

CURRENCY RATES							
Bank rate %	Special* Drawing Rights	Europesa Carrency Units					
7 9 7 7 7 12 39 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7	0 760512 1.30770 1.55132 16 9988 50 6276 N/A 2.41676 2.72917 8.19993 1776 64 172.159 8.79167 150.329 8.24178 2.13090 N/A N/A	0.654546 1.11908 1.32948 14.6398 14.6398 43.5293 8.80757 2.07902 2.34614 7.04515 1525 08 146 845 7.54729 129.220 7.97704 1.82913 1.82913 1.82913 0.779736					
"All SDR rates are for Apr.21							
CURRENCY MOVEMENTS							
	Bank of England Index	Morgania Guaranty Changes %					
	8ank rate % 7 12.39 7.75 4.50 5.50 13.5 2.5 8.5 20.5 20.5 are for A	Bank   Special*   Drawing Rights   12.79   1.551.32   5.50   2.74   1.551.32   5.50   2.74   1.75   5.50   2.74   1.75   5.50   2.74   1.75   6.79   1.77   6.79   1.77   6.79   1.77   6.79   1.77   6.79   1.77   6.79   1.77   6.79   1.77   6.79   1.77   6.79   1.77   6.79   1.77   6.79   1.77   6.79   1.77   6.79   1.77   1.79   6.79   1.77   6.79   1.77   1.79   6.79   1.77   1.79   6.79   1.79					

Apr.24	Bank of England Joden	Morgan <sup>a</sup> Guaranty Changes %					
Sterling U.S Dollar U.S Dollar Canadian Dollar Austrian Schilling Belgian Franc Danish Krone Deutsche Mark Swiss Franc General Franc Lira Yen	95.4 67.9 102.6 106.7 106.0 103.2 113.0 104.8 110.2 97.5 147.5	-16.0 -10.5 -0.2 +10.1 -6.3 -1.7 +21.0 +13.8 +13.3 -15.1 +79.7					
Morgan Guaranty changes: average 1980- 1982 - 100. Bank of Eppland Index (Base Average							

OTHER CURRENCIES									
Apr 24	£	S							
Argentina Australia Brazii Fioland Grecce Hong Kong Iran Konsai Stbi Kunati Lizembourg Manuto Manuto Braziand Singasore Singasore Si (Em) Si (Em) Si (Em)	125 015 125 700 2 1555 2 1560 1 7395 1 7405 7 0660 7 0895 7 0660 7 0895 13 2030 13 2760 131 25 1110 45 1145 40 0 49430 0 49550 6 35 66 45 4 5965 4 5665 4 129 00 4433 15 2 7785 2 7805 3 3050 3 3105 3 3050 3 3105	73 3000 - 73 4000 1 2615 - 1 2625 1 0200 - 1 0500 4 1530 - 4 1550 7 810 - 7 7830 70 30 603 30 - 668 60 9 28960 - 6 29030 2 9750 - 2 6770 2 2 6750 - 2 6770 3 2 6750 - 2 6770 3 7 500 - 3 7 510 1 2 775 - 1 6300 1 2 775 - 1 6300 1 2 775 - 1 6300 1 2 775 - 1 6302 2 5 2 5 2 5 2 5 3 6 1 6 2 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7							

**MONEY MARKETS** 

TRADING WAS quiet and nervous as the London money market awaited tomorrow's UK

trade figures for March. The figures are likely to provide a major test of whether bank base rates can be held at 13 per cent and there is still the fear

that rising international rates will keep upward pressure on London. Three-month inter-

bank was unchanged at 13%-

The Bank of England initially forecast a money market credit surplus of around £550m,

UK clearing bank base lending rate 13 per cont from November 25

but revised this to £650m at

noon, and to £700m in the

A total of £694m bills were sold to the market to absorb the surplus. Before lunch the

authorities sold £484m Trea-

sury bills, due April 28, at rates of 11-11% per cent. In the after-

noon the Bank of England sold another £210m Treasury bills, due April 28, at 11-11% per

Bills maturing outside offi-cial hands and repayment of

late assistance added a net 220m to liquidity, with Exche-

quer transactions adding £80m;

a fall in the note circulation £465m; and bank balances

In Frankfurt credit condi-

tions eased after the West Ger-man Bundesbank set a lower

above target £5m.

afternoon.

**Nervous trading** 

reach Franc iraea	123.0 104.8 110.2 99.5 97.6 147.5	+21.0 +13.8 +13.3 -15.1 -20.1 +79.7 	B. Fr. (Fin) B. Fr. (Con.) Yes D. Krose Asian SSing Long te	rm Eurodo	8-7-2 81-7-3 41-41- 81-81 91-91 01-per ce	84 9 9 9	1-8 1-42 1-42 1-92 104 per	81, 81 84-81 43-41 9-84 10-97 cest: three m rates a	8 4 9 10	1-81 2-81 4-41 4-30 11-10 10-pe	8   -8   8   -8   5   -4   9   -9   10   -10   cent; four	years 10	17-81 2-81 1-51 1-91 1-102 1-103 per
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t Zealand Saudi Ar Anguspere	2 7785 - 2 7835 6 3975 6 4025 3 3050 - 3 3105	1 6275 - 1 6300 3 7500 - 3 7510 1 9375 - 1 9395	H FI. Liva	0.279 0.430	0 476 0 733	0.886 1.364	62.65 96.39	3.003 4.620	0.782 1.203	1 1.538	650.0 1000	0.566 0.871	18.55 28.53
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	"Seiling rate		Yeo per 1,0	00: Fresd	Fr per l	O Lirz p	≥ 1,000 <del>.</del>	Beiglan Fi	. per 100				

than expected monthly mini-

discount rate.
In Paris the average dis-

count rate on French 13-week

Treasury bills rose to 8.34 per cent from 8.09 per cent. The Bank of France has not yet

responded to last week's gen-

eral rise in European interest rates, but will have an opportu-

nity at Thursday's securities

repurchase tender, when the key money market interven-tion rate is set.

Reserve added \$2bn of temporary reserves to the banking

system, via customer repur-

chase agreements, when Fed-

eral funds were trading at 9%

In New York the Federal

Apr. 24

#### 32.76 100. High Low 1.7026 1.6784 1.6876 1.6870 - 1.6800 FT LONDON INTERBANK FIXING 6 months US Dollars

The fixing rates are the arithmetic means requested to the searest one-sinteems, of the hid and offered rates for \$1.0m quoted by the market to five reference banks at \$1.00 a.m. eith working day. The banks are National Westnohnster Bank, Bank of Foliyo, Destroice Bank, Bank of Paris and Morgas Guaranty Trust.

mum reserve requirement for commercial banks of	Bank, Bask of Tokyo, De	estsche Bank, i	Banque Nationa	i de Paris an	d Morgan Quar	
DM54.9bn. A figure of around DM56bn had been expected.		H	IONEY	RAT	<b>E</b> Ş	
Trading was cautious how-	NEW YORK		-	Treasury	Bills and i	Зог
ever, ahead of today's announcement of the terms for this week's securities repur- chase agreement tender. A fixed rate tender will give a	(Lunchtime) Prime rate Broker loan rate Fed funds Fed funds at intervention	11½ 1 10¼-½ 9 - 9¼ (	ine morth		8.47 Three 8.83 Four; 8.97 Five; 9.15 Seven 9.36 10-72 9.45 30-70	
clear signal where the Bundes- bank wants the level of money	Apr.24	Overalgist	Oge Month	Turo Months	Three Months	Γ,
market rates, following last week's rise in the German discount and Lombard rates, but recent agreements have been via variable rate tenders.  In Zurich major Swiss banks raised the interest rate on cus-	Frankfurt Park Carich Amsterdam Tokyo Atlian Sesses Deblia	5.95-6.10 8 7-8 4 53-64 6.18-6.31 42-44 124-125 5.35 73-84	6.10-6.25 813-83 613-61 6.70-6.80 463-46 12-121 <sub>2</sub> 813-81 <sub>3</sub> 813-81 <sub>4</sub>	6.25-6.40 8%-8%	6 45-6.60 51-81- 63-6-5 630-6-50 43-4-1 125-125 83-9	6
tomer time deposits by % per cent to 6 per cent. The last increase was by a similar		LOND	ON MC	NEY	RATE	
amount on April 14, after a rise in the Swiss National Bank's	Apr.24	Övernigi	t 7 days	Ore Month	Three Months	L

LONDON MONEY RATES								
Apr.24	Overnight	7 days notice	Ore Month	Tiwee Months	Six Manths	One Year		
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ocal Authority Bonds Discount Mkt Deps	17,7	114	V-7.	126.		•		
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inance House Deposits .	! [ }		159	1 77 .	134	179		
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Sank Bills (Buy)	<u> </u>	_	1215 1215 1215 1215 1215 1215 1215 1215	BEENEGE	121			
ine Trade Bills (Buy)	) <u> </u>		111	1 1937	177			
oltar CDs		_	000	1 花花	10.1	10.3		
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CU Linked Den Bid	1	_ :	8 8 <u>%</u> 8 <u>%</u>	81 <sub>2</sub>	124 134 10.15 883 883 883	7,3		

#### FINANCIAL FUTURES

The market reassessed the situation after last Friday's pres-sure for higher bank base rates was resisted by the Bank of

England.
There is a general belief in the market that the UK Gov-

LOFFE LONG COLT FUTURES OFTSONS

Estimated volume total, Calls 670 Pats 757 Previous day's open int. Calls 30548 Puts 19902.

LONDON (LIFFE)

Estimated Volume 7397 (13756) Previous day's open int. 25350 (26387)

Estimated Volume 457 (481) Previous day's open lat. 825 (831)

Estimated Volume 2120 (6072) Previous day's open Int. 2786 (2731)

DAM-STERLING So per £

Clas. Figs. Act shows) 3,4566 (45677) Say's open Int. 74777 (74551)

93.14 93.07 93.00 93.00

1-mth. 3-mth. 6-mth. 12-mth. 1.7011 1.6923 1.6905 1.6625

Şir Meaths

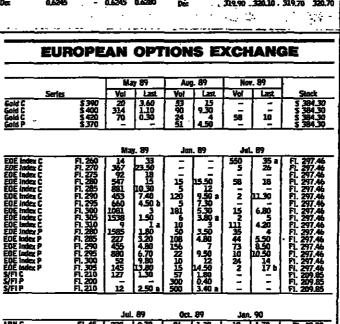
SHORT STERLING futures rose slightly on Liffe yesterday, but the market was generally lacking in conviction ahead of the UK trade figures.

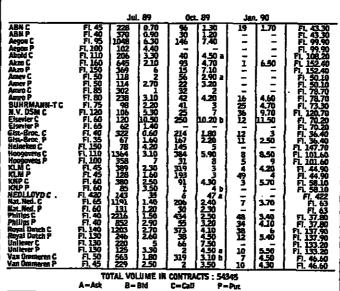
SHORT STERLING futures ernment is reluctant to sanction a rise in base rates to 14 per cent, but could be forced into action by downward pressure on sterling if the trade figures prove disappointing.
The failure of the authorities to push rates up encouraged June short sterling to open firmer at 86.61 yesterday. This was also the day's low, with the contract rising to a peak of

86.69. The rewards for taking a bullish view were seen as insufficient however, at a time when so much uncertainty sur-rounds the UK economy, and particularly the March trade figures. This brought June short sterling back, to close at 86.62 against 86.56 on Friday. Volume was low, with June delivery trading only about

LEFFE SUMO FOTURES GIVEN LIFFE US TREASURY BOND FUTURES OFFICIES 2 25 114 250 444 643 PHILADELPHIA SE 4/5 OPTIONS 531,250 (coats per EL)

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Mar Jun	- :	:	:	88-26 88-21	14125	,600 S p				
Jun Sep Dec	Ξ	:	Ξ	88-21 88-15 88-09	Jun Sep Dec		Carest 0.5415 0.5458 0.5515	High 0.5420 0.5461	0.5431 0.5458 0.5515	0.544 0.548 0.553
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arterhouse Bank	13	Mount Betry Corp	Martgage 13.625% - 14.00%

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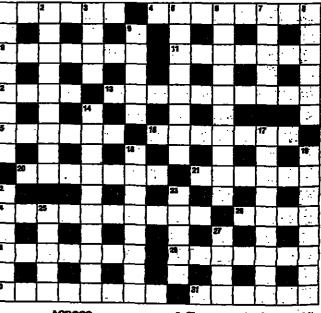
#### CLUBS

**PERSONAL** 

EVE has outlived the others because of a policy on fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamor-ms because sections (complex) 01-734-0557, 189, Regent St., London.

#### **CROSSWORD**

No.6,918 Set by DANTE



ACROSS
1 and 11 An almost negligible amount, like one in ten
(4.2.7)

4 Unexpected but fruitful result of a sharp blow (8) 10 Everything turns grey – a rash reaction perhaps (7)

11 See 1 across
12 Fruit attached to the trunk (4) 13 Plan to recycle liqueur (10)

15 Plan to recycle nqueur (10)
15 In a permanent position, but
also returns in debt (6)
16 Succeed in getting a woman
to take it on (7)
20 Largely in royal fashion (7)
21 Still a cause of poor recep-

tion (6) 1001 (6)
24 Coating of fruit and nuts given to relatives (6-4)
26 Hold fast (4)
28 It sinks beneath the waves

29 Major acting role in Shaw

play (7) 30 Fresh pastry is in short sup-

ply (8) 31 Be in at a race finish (6) DOWN

I Stockman here and there perhaps (8)

2 Oxy-phenol derivative used by wood-tappers (9)
3 A wrong to right (4)
5 Blissfully unaware (8)

6 Cleaners put off by public conveniences (id)
7 Leave word in France (5)
8 Tug-boat? (6)
9 They get drunk on hogshead of port (5)
14 Memoranda about a stock of unsold books (10)
17 Fence Rita builds for a common boundary (9)

mon boundary (9)

18 Tass, long reserved, now demonstrates openness (8)

19 He didn't strike Shake-

speare as a sword carrier (8) A beast in distress lowers

(6) 23 Fifty-one doctors appear to

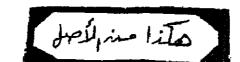
be members (5)
25 Mean to a girl (5)
27 Wooden stick's about right for an annoying child (4)
Solution to Puzzle No.6,917

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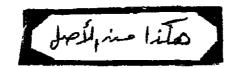
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#### WODID STOCK MADKETS

WORLD STOCK MARKETS						
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June   1945	1.055	NEW YORK   DOW JONES   Since compilation   Agr   Agr   Agr   Agr   Agr   Agr   1989   Since compilation   Since compilation   Agr   24   21   20   19   High   Line   High   Line   High   Line   Agr   Agr   Agr   Agr   Agr   240   64   2144   64   272   22   41   27   27   27   41   27   27   41   27   27   41   27   27   41   27   27   41   27   27   41   27   27   41   27   27   41   27   27   41   27   27   41   27   27   41   27   27   41   27   27   27   41   27   27   27   41   27   27   27   41   27   27   27   27   27   27   27   2	Apr. Apr. Apr. Apr. 1989  Apr. Apr. Apr. Apr. 1989  AUSTRALIA All Critiser's (1),1890 1476.1 1475.1 1475.2 1498.1 1450.1 1551.7 (31/1) 1412-9 (7/4) 652.6 (7/4) 672.6 (665.3 671.4 677.2 77.70 (26/1) 652.6 (7/4) 672.6 (665.3 (7/4)			
Comparison   1,000   -0.00	Calley Februs   9.20   40.1	TOKYO - Most Active Stocks  Monday 24 April 1989  Stocks Closing Change Prices on day Stanthono Mater. 12.5m 874 - 5 Suraltomo Contriguor Seal 12.5m 2.840 - 20 Works - 5.7m 1.680 + 20 Works - 5.6m 1.760 - 10 Moris - 5.6m 1	When you take out your first subscription to the FT, we'll send you 12 issues free. Then see for yourself why Frederick Ungeheuer, Time magazine's senior financial correspondent, describes us as "the paper with the best coverage of international finance."  Frankfurt 0130-5351 (toll free) and ask for Karl Capp for details.			

4pm prices April 24

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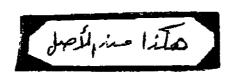
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# Dow displays resilience in the face of profit-taking

#### Wall Street

PROFIT-TAKING pushed the Dow Jones Industrial Average modestly lower yesterday fol-lowing its surge last week past 2,400 for the first time since before the October 1987 stock market crash, writes Janet

Bush in New York.

The Dow closed 6.78 points lower at 2.402.68 on sluggish volume of 142.881m shares. However, the market showed considerable resilience, bouncing back from a fall of 16 points during the morning.

The mood is noticeably buoyant. The Dow hit new postcrash highs on three days last week, surging to above 2,400 on Friday in spite of Thursday's surprise news that the Bunde bank had raised its discount and Lombard rates.

The Dow Jones Transporta-tion Index hit an all-time high last week, helped considerably by a strong performance by NWA, the holding company for Northwest Airlines, on specula-tion that it would sell itself to a potential bidder.

NWA was unchanged yesterday at \$102 4 after its chairman said that the company was exploring the possibility of placing a stake in the hands of a friendly investor as a defence

against a takeover. Other market indices are now within striking distance of their all-time highs. The Dow Jones is around 11.5 per cent away while the Standard & their all-time peaks.

Some selling was expected sterday after the surge in the DJIA. Technical analysts also noted that perhaps 20 points of last Friday's 32.08 point rally was attributable to buying related to the expiration of some April options and the Major Market Index futures.

However, the bounce from the lows reached on profit-taking yesterday morning suggests there is considerable momentum in this market in spite of a much shakier performance in the Treasury bond market. One comforting factor has been the stubborn stability of the dollar in spite of higher interest rates overseas. The dollar stood in mid-range at Y131.55 and near its highs for the session against the West German D-Mark at DM1.861,

from an earlier low of DM1.845. The relatively robust performance by the US equity market came even though there was growing speculation of a hike in the Japanese discount rate. Although the timing of any such move remains unclear, most economists believe Japan will indeed raise the discount rate at some stage

in response to higher inflation. There are a number of economic releases this week which will provide focus for the equity market including today's March durable goods orders, tomorrow's preliminary GNP, Thursday's March per-

Stock Exchange Composite and Friday's March leading

indicators.

Drug stocks weakened yes terday on disappointment that F Hoffmann La-Roche, the Swiss company, is not, after all, about to launch a hid for any US drugs groups. Rumours that this is what it was planning had boosted drugs stocks. Rumoured targets fell sharply. Syntex slumped \$2% to \$41%, exactly wiping out

Friday's gain, Rorer Group fell \$1% to \$41 and Pfizer lost \$% to \$61. Diebold added \$2% to \$45 on a press report that Mr Louis Caiola, a New Jersey-based investor, had built up a 3.5 per cent to 4 per cent stake. Xyvision added \$% to \$6% in over-the-counter trading after it was featured in a business magazine as trading at an all-time low despite strong

earnings expectations. Among blue chips, which were generally lower, Procter & Gamble fell \$% to \$94%, Merck dropped \$1 to \$67% and Philip Morris lost \$% to \$125%.

#### Canada

BUYING among golds and base metal stocks was offset by selling in energy and industrial stocks on the Toronto Stock Exchange. Bullion prices, nickel and zinc gained strength but crude oil futures fell

The composite index rose 3.70 to 3606.20 as declines edged advances 385 to 271. Volume was a light 17.6m shares.

# Nikkei wilts after dose of discount rate speculation

SPECIILATION about an increase in Japan's official discount rate kept investors wary and share prices suffered a third consecutive setback on the lowest turnover this year, writes Michiyo Nakamoto in

The Nikkei average closed down 223.89 at 32,805.92 after trading as high as 33,115,13 and as low as 32,703.83. Declines led advances by 634 to 256 while 181 issues were unchanged.

Turnover sank to 464m shares from 875m on Friday. The Topix index of all listed shares dropped 15.21 to 2,422.98 and in later London trading the ISE/Nikkei 50 index closed 0.94 lower at 1.915.29.

This bad case of Monday blues showed the market was not reassured by a statement on Friday by the Minister of Finance denying that there would be an imminent increase in the official discount rate.

Many investors, fearful of growing inflationary pressures because of rising oil prices, preferred to await the announcement of the April consumer price index for Tokyo on Friday before commiting themselves to the market. Consumer prices in April are seen as an important indicator of inflationary tendencles as they will reflect the impact of a new consumption tax

introduced this month.
Analysts said Japan's historically low official discount rate would rise 50 basis points to 3 per cent if the consumer price annual 3 per cent.

Meanwhile, the approach of the Golden Week holidays at the end of the week kept individuals out of the market,

NATIONAL AND REGIONAL MARKETS

Figures in parentheses

low levels even for a Monday. Political troubles were also expected to persist, adding to the caution.

There was less enthusiasm for many sectors that had been rising recently on waves of popular buying. Even the activity of a large number of indexed funds failed to give sufficient support.

But the fall in the Nikkei was largely caused by a lack of buying rather than a lot of selling, analysts said. Issues with good earnings prospects and low price earnings ratios continued to attract interest. Kitagawa Iron Works, a maker of construction machinery, closed up Y20 at Y1,050, selected for its low p/e and good business fundamentals supported by increased capital investments.

Large capitalisation steels were actively traded but most suffered losses as investors stayed away from interest rate sensitive issues. Sumitomo Metal was most actively traded with 12.5m shares but closed down Y6 at Y874. Kobe Steel, also among the top 10 volume leaders, lost Y19 to Y881. But Nippon Steel, second in volume with 10.9m shares traded, added Y5 to Y915.

Sato Kogyo, the mediumsized construction company that has led the remarkable performance of the construc-tion sector, lost Y50 to Y2,540. It was the third most actively

traded at 10.5m shares.
Tokyo Rope Manufacturing. Japan's largest wire rope maker, took the biggest loss of Y300 to Y1,520 on talk that a speculators' group which had been cornering the stock was having financial trouble.

In Osaka caution prevailed and volume touched a low for the year of 27.9m shares. The

31.803.69. Sato Kogyo, popular in the construction sector maintained interest and added Y20 to Y2,590.

#### Roundup

THE RISE on Wall Street on Friday helped most leading markets in Asia Pacific but Hong Kong was depressed by political uncertainties in China.

AUSTRALIA was boosted by the news of a hostile raid on Goodman Fielder Wattie by Ranks Hovis McDougall. The All Ordinaries index rose 23.6 to 1,476.1 in strong turnover of 146m shares worth A\$335m. The unexpected A\$3.1bn bid for Goodman injected further

climbed 54 cents to A\$2.55 as 88m shares worth A\$224m changed hands. Among other industrials, Bond Corp fell a further 16 cents to A\$1.14.

life into the market. Goodman

SINGAPORE saw profit-tak-ing whittle away early gains to leave the market marginally higher at the close. The Straits Times industrial index rose 2.97 to 1,247.24 after notching up a 9-point rise at midday. Rises led falls by 132 to 92 and turnover dropped to 99m shares from 116m on Friday. Hotel group Faber Merlin, the most active stock, rose 5

cents to 45% cents as some 7.2m shares changed hands. HONG KONG ended a vola-tile session slightly lower in thin trading. The Hang Seng index fell 13.24 to 3.095.99 after fluctuating between 3,081 and 3.118 in turnover worth HK\$849m.

overseas uncertainty over con-frontations between students

#### Economic news gives US a starring role for its roaring rise so far this close on the heels of the US MARKETS IN PERSPECTIVE

#### By Alison Maitland

SIGNS of a weakening in inflation allowed the US mar-ket to put in a rare star performance last week as equities surged from one post-crash high to another.

The market's solid 2.6 per cent ascent took off when US housing figures for March proved considerably weaker than expected and consumer prices for that month showed a restrained 0.5 per cent rise. Buoyed by active turnover

and its own upward momen-tum, the market shrugged off a steep climb in oil prices and suffered only a temporary hic-cup on Thursday when the West German Bundesbank announced a surprise increase in interest rates.
The euphoric mood was

greeted with scepticism by

some securities houses. "One might have supposed that confirmation of a slowdown in business conditions would have been of concern," says Hoare Govett in its weekly stock markets review. "Presumably it indicates lower levels of profitability and probably lower asset valuations also. Instead New York and London reacted ecstatically."

The US was just beaten into first place last week by Nor-way, which found further fuel

year in the form of higher oil prices. It managed a 3 per cent gain, though it could be argued that the US performance was rather more significant given the relative size and liquidity of the two markets.

Across the Pacific, another lacklustre week for the Japa-nese market detracted from Wall Street's glory and left the World Index just 0.4 per cent better. With Japan accounting for 44 per cent of world capital-isation against America's 30 per cent, the weakness of Japa-nese stocks since the start of March has weighed on world performance.

Last week's 1.5 per cent loss concealed a record high on the Nikkei average on Wednesday. Individual investors were responsible for what buying there was, but the market's confidence was sapped by the reluctance of institutions to enter the fray. More expensive oil, a weakening yen and the deteriorating political climate all clouded the outlook.

The UK market remained

engrossed in worries over higher interest rates, although these were offset by bid speculation and equities gained 0.2 per cent on the week.

Among the other winners was Australia, which followed

with a 2.5 per cent rise as investors responded more con-fidently to the latest negative balance of payments news and the oil sector enjoyed a boost from higher crude prices.

The antipodean picture is far from rosy, however. Australia still stands out as the only market to be lower now than at the start of the year, while New Zealand, which managed a healthy 1.7 per cent gain last week, is the only one below its level a year ago. Europe had a mixed week,

coming out slightly better overall in spite of weakness in West Germany and Switzer-land triggered by the rise in the West German Lombard and discount rates, Austria also fell back after racing up for most of this year. Denmark followed Norway

as the second best performer in Europe, with France third. Sterling investors have generally enjoyed strong currency gains so far this year, with the World Index up 9.6 per cent in sterling terms compared with a 7.3 per cent rise in local currency. Thanks to the pound's weakness and the strength of the dollar, the US market has climbed 17.3 per cent in ster-ling terms against only 11.2 per

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+2.61 +34.25

There are one or two excep-tions, notably Switzerland, where the weakness of the Swiss franc against other lead-

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Singapore ...

WORLD INDEX .

t Based on April 21st 1986 Copyright, The Financial Tire

ing currencies has left sterling investors with a \$.6 per cent gain against a rise in the local currency index of 6.7 per cent

insurer. It fell 30 cents to F

investors took a breather, although interest was main-

tained by the start of continuous trading in five stocks representing about 4 per cent of the market's capitalisation.

The five stocks - Tubacex,

MADRID changed little as

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# Excitement fizzles out in restrained trading

restricted in Europe yesterday after last week's excitement, and bigger bourses closed steady to easier, writes Our

Markets Staff.
FRANKFURT ended weaker in moderate trading, giving up an early rise. The FAZ at mid-session was down 1.63 at 575.56 and the DAX closed 7.83 lower at 1,368.38. Volume was DM3.1bn, well below last

There had been optimism that a possible suspension of the withholding tax, mooted on Friday by Mr Theo Waigel, the new finance minister, would spur equities. A rumour that the Government might seize the opportunity to sween away the share turnover tax also made the rounds in early

Frankfurt trading.
But the market had fallen ss than expected on Friday in the wake of the Bundeshank's interest rate bombshell, and yesterday's final weakness was seen as a delayed reaction. Banks and chemicals featured among the top 10 active stocks and all ended weaker, with Hoechst, due to announce

its dividend today, off DM2.60 at DM299.90. Siemens, the most active share, lost DM3.20 to PARIS had a patchy session, offering little in the way of excitement and ending little changed. But volumes were boosted by a late block trade in Pechelbronn with a chunk of about 800,000 shares changing hands at FFr1,042, the price at which the stock closed the day,

and a gain of FFr17. Other active stocks included takeover candidate Casino, which rose FFr2.30 to FFr239.80 and Matra, up FFr8 at FFr300 after positive weekend press

GTM-Entrepose saw the day's biggest gain, jumping FFr108, or 8 per cent, to FFr1,460 on talk that it had concluded its agreement on cooperation on offshore oil

#### **SOUTH AFRICA**

GOLD stocks closed firmer in quiet trading as the market edged up, led by platinums. The industrial index rose 18 points to 2,550, improving on Friday's new high.

DOLLAR INDEX

platform business with McDermott International of the US. GTM's marine oil subsidiary is

loss-making.
The CAC General index, based on opening prices, rose 2.4 to 470.4, but by the end of the day the CAC 40 real-time index was off 1.77 at 1,698.67. The OMF 50 index eased 0.02 to

ZURICH focused on the pos-sibility of higher interest rates and ended steady, with news of Hoffmann-La Roche's share restructuring having little effect, as the stock remained suspended. The Crédit Suisse index rose 0.9 to 577.0. Banks were again depressed

while chemicals continued to benefit from speculation about possible capital restructuring. Ciba-Geigy bearers rose SFr45 to SFr3,360. Hoffmann baby certificates,

which were suspended at SFr15,500 last Friday and which will be phased out as part of the group's restructuring, were quoted in London as high as SFT15,750. One analyst said the specula-

tive element of the stock was dampened by the group's asser-tion that it had no takeover target in sight, but she added that the restructuring was positive in that it would make the shares more marketable.

MILAN crept to a new post-crash high in thin trading as many investors took a long weekend break which includes today's Liberation Day holiday. The Comit index rose 1.17 to 620.30 with turnover estimated to be below L200bn.

The market was buoyed by a good Treasury Bill auction at the end of last week - seen as an indication that domestic interest rates are not under the same pressures as in other European countries.

Speculative interest in textile company SIM continued to fuel activity in the shares which rose L230 to L6,380. Retailer Standa, which on Friday announced losses for 1988, fell L100 to L27,400, while insurer Generali fell L60 to

AMSTERDAM had a weaker session, succumbing to profit-taking by domestic institutions and a poor start on Wall Street in spite of a recovery in the dollar against the guilder.

The CBS tendency index lost 17 to 1820 in hyprover worth

0.7 to 182.0 in turnover worth Fi 858m, well down on Friday's Fi 1.2bn which was swelled by the expiry of options.

Royal Dutch climbed 80 cents to Fl 137.90 against the trend in the day's most active trading, helped by oil prices and the uptick in the dollar. Steel stock Hoogovens was the second most active stock, also gaining 80 cents to Fl 101.60, but off its high of Fl 102.70; it has presentations in Zurich and Frankfurt this week.

Aegon was hit by a press

report, denied by the company,

that it would bid for an Italian

Motor Iberica, Nueva Montana,
Papelera Esp and Alfos Hornos
de Vizcaya — traded on the
CATS system, with some initial teething problems. Motor
Iberica saw: 722,232 shares
change hands, rising 7.5 points
to 1,262.5.
STOCKNOLM edged bigher STOCKHOLM edged higher

as investors sat back to wait for today's revised budget,

which is expected to include an

anti-inflation package.
OSLO closed higher helped by firmer North Sea oil prices but the market saw some nervous profit-taking. The all-share index rose 4.35 to 485.02 in active trading worth

#### April 25, 1989

## The Mitsubishi Bank, Limited

(Kabushiki Kaisha Mitsubishi Ginko)

Tokyo, Japan

#### DM 500,000,000 21/2% Convertible Bonds of 1989/1994

Issue Price: Redemption:

21/1% p.a., payable semi-annually on March 31 and September 30 of each year September 30, 1994

from May 15, 1989 into shares of common stock of The Mitsubishi Bank, Limited at a conversion price of DM 45.780769 per share Frenkfurt Stock Exchange

Deutsche Bank

The Nikko Securities Co., Commerzbank

**BHF-Bank** 

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Banque Nationale de Paris S.A. & Co. (Deutschland) oHG

CSFB-Effectenbank

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Dresdner Bank

Nomura Europe GmbH

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Vereins- und Westbank

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Gross Div. Yield 1989 Low por grouping Australia (89). 132.32 5.01 2.13 4.027 1.88 1.59 2.27 4.04 2.049 2.08 4.41 8.49 2.37 4.52 2.37 4.52 2.37 4.52 128.28 92.84 128.52 124.52 165.35 125.81 112.57 81.77 111.80 125.00 78.16 180.30 143.35 153.35 168.84 139.82 124.57 115.35 120.16 91.71 125.53 123.57 119.50 126.04 87.43 103.39 120.29 76.25 173.81 129.13 135.33 177.86 126.31 177.86 126.31 110.20 124.15 118.23 131.05 117.629 135.12 121.00 84.63 130.29 145.06 85.17 154.78 160.52 179.74 128.33 136.67 147.68 77.41 126.96 122.78 136.37 136.33 179.81 155.30 122.79 183.29 131.11 148.64 83.77 187.69 175.06 68.26 195.16 152.08 68.26 152.08 106.38 118.18 118.49 155.67 134.77 106.39 76.06 113.40 128.19 72.65 161.80 153.09 105.95 105.95 105.95 132.78 125.84 134.77 137.04 168.10 128.19 117.84 130.66 117.06 176.21 134.93 120.82 84.85 130.98 145.02 155.90 184.28 116.31 59.12 178.20 135.85 135.85 135.85 127.59 France (130). Mexico (13). Netherland (42)..... New Zealand (24)... Norway (26)..... Singapore (26)..... South Africa (60).... 143.14 138.45 74.05 134.53 112.13 155.39 157.03 76.65 146.76 125.84 134.33 152.07 120.30 78.83 138.25 135.75 66.26 126.87 108.78 United Kingdom (316).... USA (561).... 106.71 104.69 134.25 158.18 136.81 109.24 111.26 150.47 152.67 136.12 125.30 101.64 112.11 135.54 114.02 137.95 176.37 152.83 112.79 98.84 123.48 152.04 111.33 151.18 151.72 3.59 1.99 0.71 1.61 3.50 2.89 4.47 1.68 2.04 2.25 3.56 Europe (1008). +0.1 +0.5 -0.6 -0.4 -0.2 +0.1 +1.0 -0.4 -0.4 121.10 155.29 182.98 158.26 126.37 105.01 126.50 157.36 144.86 145.02 124.63 121.70 155.61 194.72 164.22 126.37 105.29 137.65 162.77 146.04 148.65 124.63 108.53 112.15 168.91 144.77 135.09 155.35 181,56 157,17 126,06 104,50 127,45 156,33 -0.8 -0.7 -0.2 -0.5 135.57 125.02 101.70 113.23 135.02 107.61 90.12 109.83 143.82 90.87 110.83 135.93 125.29 125.43 108.07 90.78 109.36 136.03 Europe Ex. UK (692)..... Pacific Ex. Japan (224)... World Ex. US (1887)...... World Ex. UK (2132)..... +0.8 -0.7 132.24 131.76 -0.5 -0.5 125.23 132.75 125.43 131.73 2.26 145.01 125.36 132.18 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US 5 index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139 55 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local).
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FT-ACTUARIES WORLD INDICES

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The Swiss face growing external pressures to change entrenched financial habits. Money

laundering and the fall of Mrs Kopp, the Justice Minister, have dominated the headlines. But the country seems on its way to absorb the impact, writes William Dullforce

# Old habits that must change

THREE RECENT events in Switzerland have attracted attention abroad - the "Kopp affair", the persistent decline in the value of the franc and Nestlé opening its stock to foreign ownership.

The first two hint that, inside this

enclave of high prosperity at the heart of Europe, for long a hallmark for political and economic stability, something may be wrong. Nestle's action does more than hint; it testi-fies to the strengthening pressures on the Swiss from outside to change some entrenched habits.

However, it is better not to exaggerate. The Swiss have a way of underplaying spectacular events and the four-party coalition that has run the Confederation for the past 30 years is already well on the way to absorbing the impact of the enforced resignation of Mrs Elisabeth Kopp, the country's first woman cabinet minister, over a drugs money laundering scandal. As for the weakness of the franc. the question remains open whether it is structural or a temporary phenomenon due to the Swiss National Bank's difficulties in controlling the money supply last year after it

bank reserve requirements. Only in the case of the exterior pressures, principally generated by the economic unification of the European Community, is there no doubt. The Swiss are being forced to change the structures of their finan-cial markets more quickly than

changed the regulations governing

they had expected: Some recent developments suggest that socially not all is well in the Confederation, as it approaches its 700th anniversary in 1991. Police in Zurich and Berne have used tear-gas and batons to break up demonstrations by young people frustrated by the shortage of housing at rents within their reach. The

problem of drug addiction is on daily display in Zurich's parks.

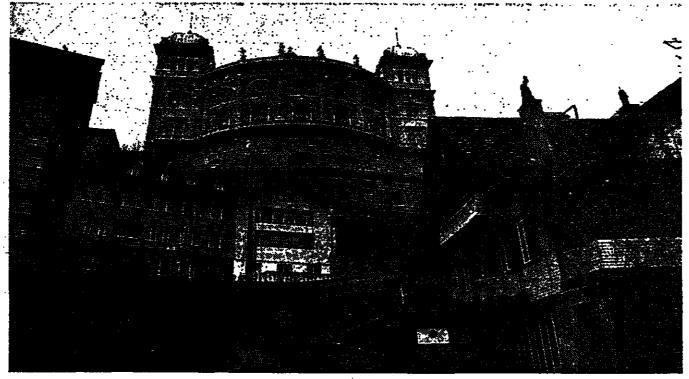
Such situations are not peculiar to Switzerland and, indeed, the drugs problem is contained to the extent that citizens can still walk safely at night anywhere in a Swiss city without fear of mugging.

Still, a warning earlier this month from the World Health Organisation that per capita Switzerland has the highest number of AIDS victims in Europe gives food for thought. The juxtaposition at the heart of Zurich of a park for junkies and the Bahnhofstra of the world's richest banking

streets, evokes unease.

Nevertheless, the drama that has stirred public opinion most deeply has been the fall of Mrs Kopp, the Justice Minister, and the suspension of Mr Rudolf Gerber, the Federal public prosecutor, in the wake of a money laundering investigation conducted by a young public prosecutor in the canton of Ticino.

Swiss journalists played a crucial role in bringing the ramifications of this case to light, demonstrating in the process that the cocoon of cosy



# ZERLA

conformity, in which media, politicians and the business community used to operate, is breaking up. Disclosures from the investiga-

tion into what has been dubbed the Lebanon connection have brought home to the Swiss the fact that their banks and finance companies have been exploited by internationally organised crime. Serious impli-cations have been raised about relationships between officials, some businessmen and shady people involved in the drugs traffic.

The political response to the Kopp affair and the money launder-ing scandal has been vigorous. Two parliamentary committees are pursuing the investigation and submis-sion of a bill against money laundering is being speeded up. Well aware of the need to reassure the public, the four ruling parties - and in particular the conservative Radical Party, to which Mrs Kopp belonged - chose as her replace-ment in the seven-member Federal Council (cabinet) Mr Kaspar Villi-ger, the model of a modest, clean-living Swiss businessman.

The spectacular fall of Mrs Kopp

has had other potentially signifi-cant sequels. Mr Arnold Koller, her successor at the Justice Ministry, is increasing the staff of the antidrugs office in Berne and has been talking of setting up a federal anti-drugs brigade – a step which would affect the powers of the cantonal

Before she was caught up in the

scandal, Mrs Kopp had won a repu-tation as a hardworking minister, However, her efforts to tighten regulations and to distinguish the true "political" refugees from the less welcome "economic" fugitives among the flood pouring into Switzerland in the past two years mostly from Turkey and countries further east - had been controver-

Mr Koller is taking a fresh look at immigration policy, admittedly on the basis of a report commissioned by Mrs Kopp. The issue is politi-cally delicate, as small surges of xenophobia among voters, mostly in local elections, have shown.

While the political establishment has already demonstrated its capacity to contain the effects of the Kopp affair, the same has not so far been true of the banking system. The bankers are irritated and embarrassed. None of this has done the image of the Swiss financial centre any good, even if the Federal Banking Commission has cleared the big Swiss banks of having done

anything illegal.
Foreign banknotes valued at tween SFr 80bn and SFr 100bn (£28-36bn, \$48-61bn) are exchanged annually in Switzerland, many of them carried quite legitimately across the frontier by couriers. It is this business which was exploited by the money launderers.

Now with the Commission proposing to impose regulations and both the Swiss National Bank and

the Commission urging that even negligence by bank employees should be made punishable in the new law against money laundering, the bankers are warning against

over-reaction. They are not opposing new penal sanctions but Mr Robert Studer, president of Union Bank of Switzerland, has protested that the banks cannot implement provisions "forcing us to regard every one of our customers as a potential criminal and to look into the origins of all larger sums moved via bank

But the banks and the economy in general also have current worries which cannot be dealt with at a purely domestic level. The weaken-ing of the franc may be an immedi-ate boon for Swiss exporters but, if the trend is prolonged, it would seriously inhibit the Swiss market's ability to attract foreign capital.

Private bankers draw a distinction between the Swiss capital markets and the management of foreign investors' assets by Swiss banks who like any other portfolio advisers can adjust the currency weightings of their clients' placements. But a strong franc has been

a symbol.

Habitually, the Swiss franc has been firm when the dollar has been on the decline and international capital has sought a stable home. But with the consolidation of the European Monetary System, the hard currency status of the yen and

#### CONTENTS

Politics: coping with Koppgate Economy: cure for overheating EC relations: 'Albanians' eye I

merkets: world leader must not be left behind

#### **KEY FACTS**

(left) The Parliament Building, Berne (photo: Tony Andrews)

rea	41,228 sq.km
opulation	6.56 million
xchange rate (April 17 1989) .£1	= SFr 2.81; \$1 = SFr 1.637
flation	1.86 per cent
DP (market prices)	
DP growth rate	2.3 per cent (1987)
DP per capita	
xports of merchandise	SFr 73.96bn
nports of merchandise	
urrent account balance	SFr 9.14bn
oreign exchange reserves	
old reserves	\$7.9bn
xport destinations (1987)	uropean Community 55.7%,
•	US 9.1%: Etta 7.4%
lain importere (1987 %) . EC 72.1	1: Etta 7.6: US 5.3: Japan 4.5

87 %) . EU /2.1; ENR /.0, US 30, US 31.6%) Main exports (1987) .

All figures from 1988 unless otherwise stated

the rise of alternative havens, a straightforward dollar-franc axis no longer exists. The link with the 40-tonne lorries. D-Mark attracts most attention.

appears to depend on perceptions of the inflationary potential in the Swiss economy. Prices, both at the wholesale and consumer levels, have been rising faster than in West Germany.

Although overheating is apparent

The immediate fate of the franc

in the economy after six years of sustained growth, an extra influence on the inflation rate has been the increase in the money supply provided by the Swiss National Bank after the October 1987 stock market crash.

The SNB, which professes to ignore short-term currency fluctua-tions in the pursuit of its main goal of price stability, has fixed a 2 cent target for the growth in the monetary base this year. It reiterated its determination to achieve stability on April 13, when it raised its discount and Lombard rates for the third time since the beginning

Local forecasters give the SNB the benefit of the doubt. They see inflation rising this year, but tapering off again in 1990, while the economy will slow down next year and resume steady growth in 1991.

Greater concern is generated by the increasingly insistent prodding from outside for changes in Swiss

institutions and practices. A compromise is still being sought over the European Community's demand for a north-south transit route for

The Swiss have to adjust to Brussels' efforts to harmonise EC banking and insurance. Swiss companies' participation in the merger and acquisition activity in Europe has put the spotlight on the restrictive share practices with which the Swiss protect their own enterprises

against takeover. Only one company - Rieter, a textile machinery manufacturer -has so far followed Nestlé in making its registered shares available to foreigners. But a start has been made to the dismantling of some cartel arrangements in banking and insurance and the first Federal government bond issue has been leadmanaged by a foreign bank.

As foreign investors stayed away from the Swiss equities market in 1988, plans to co-ordinate and modernise the stock exchanges took a more radical bent.

Mr Jean-Pascal Delamuraz, the energetic Federal Councillor who is currently President of the Confederation, told parliament in a recent debate on the EC single market: "We must be active and dynamic it is the only chance Switzerland has of retaining its autonomy and not just being towed along in the wake of European development."

The Swiss will have to deploy alla their pragmatism and negotiating skills to bring off that gamble.

# **GLOBAL NNECTIONS**



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William Dullforce on the defusing of a political scandal

# How to cope with Koppgate

SWISS POLITICAL life tends to be worthy, humdrum and stolid, as belits an affluent, orderly society in which most citizens are content with their lot and have faith in their political system. Yet, extraordinarily, for a few weeks at the beginning of this year it was rocked by a scandal of the kind that more commonly erupts inside the Washington beltway. A cabinet minister was forced to resign; the Federal prosecutor, head of the country's secret services, was suspended; investigative jour-nalists uncovered secret tipoffs; lines were traced between the banks and international

organised crime; and state officials were accused of going easy on drugs trafficking. The term Koppgate was coined by the Press, putting the fall of Mrs Elisabeth Kopp, Switzerland's Justice Minister, into the same category as the

US scandal that brought down President Richard Nixon. Mrs Kopp, the country's first woman minister, became the first to have her parliamentary immunity lifted and the first to have her acts subjected to an investigation that could lead to

charges under the penal code. And yet, in the end, the most significant aspect of the whole affair may turn out to be the way in which the Swiss political establishment - the four-party centre-right coalition that has been in power since 1959 – coped with it. A reluctant Mrs Kopp, pro-

testing her innocence, was firmly told to go. A retired Federal judge and a special prose-culor were appointed to carry out quick investigations. Two parliamentary committees have taken up the running and are probing deeper for errors and faults within the administration. Given the alertness of the Swiss media, the politi-cians have promised that there

will be no cover-up.

A special prosecutor has been put in charge of an investigation into the acts of Mrs Kopp and two of her assistants; his job is to decide whether there is a case for laying charges against them. It is by no means certain that there is. A judge is heading a disciplin-ary inquiry into the conduct of Mr Rudolf Gerber, the Federal

prosecutor. Mr Kaspar Villiger was elected to replace Mrs Kopp as one of the Radical Party's two

representatives in the Federal

Council (government). Two Christian Democrats, two Socialists and one member of the Swiss People's Party make up the seven-member Council. In normal circumstances Mr Villiger might not have been the Radical Party's first choice but he fitted the role of "Mr Clean" – a captain in the militia army, a good family man and part-owner of a medium-

sized company.

All in all, the reaction of the politicians in Berne, the capi-tal, has been a remarkable demonstration of the sensitivity to popular feeling of a seemingly entrenched and immutable ruling coalition. Nobody could have foreseen the reverberations when, acting on information from an

The real opposition to the government is the electorate

American "mole" inside a drugs-running syndicate, police in the Italian-speaking canton of Ticino seized a lorry carrying 100 kilos of heroin in February 1987. Even when the prosecutor in

the case charged that two brothers connected with the drugs smuggling had laundered some \$1bn in dirty money through Switzerland over the last few years, it was the banking system that seemed to be in the line of fire. The political explosion occurred only when a newspa-per revealed that, some days before the prosecutor's disclo-sures, Mrs Kopp had made a telephone call to warn her husband that a trading company, of which he was vice-president, had been named in the moneylaundering inquiry. Mr Kopp

immediately resigned.

Soon these bare facts were amplified by charges about lethargy in the Berne administration responsible for combating the drugs traffic and sto-ries about links between crime and political and business circles, particularly in Zurich, Mrs Kopp's home base.

These disclosures particularly embarrassed the conservative Radical Party, which plays a pivotal role in the coalition because of its links with Swiss big business and finance. Although the Socialists were the most vocal in calling for

Mrs Kopp's resignation, there

tion - which took 159 of the 200 seats in the lower chamber of the Federal parliament in the 1987 election and has even

greater domination of the upper chamber – splitting up. Indeed, Swiss governments, once appointed, cannot be dis-placed for the four years between elections. The stability is prevented from degenerating into inflexible resistance to change by the oft-quoted paradox at the heart of Swiss direct democracy. The

frequent referenda - and the counterbalancing powers of the

cantonal governments - mean that the real opposition to the government is the electorate. In the Kopp affair the only political sanction so far has been that imposed on the canton of Zurich, which has lost its representation on the Federal Council. Mr Villiger, Mrs Kopp's replacement, comes

from Luzern. Nevertheless, in the Radical Nevertheless, in the Radical Party's selection of Mr Villiger and in the relative speed with which it eased out Mrs Kopp and started the judicial and parliamentary inquirles, the ruling coalition has shown its sensitivity to electoral opinion.

These days, indeed, the coalition has more than enough scope, in fields of even greater long-term import than the Kopp affair, for demonstrating the Swiss capacity to absorb and respond to shocks. Both government and parliament are spending an increasing amount of their time on com-plicated issues raised by the European Community's prog-ress towards a single market. Negotiations over Brussels'

demand for a transit route for 40-tonne lorries - firmly rejected by the cantons concerned - and over Berne's alternative offer of a new rail route are one of the more visi-But parliament also has to

decide on important changes to tax and commercial legislation, to keep Switzerland from being isolated. Nor is the EC alone in causing Swiss headaches. In the next two years, as interna-tional trade-liberalising negotiations in the Geneva-based General Agreement on Tariffs and Trade move towards climax, the government and electorate may face tough deci-sions on farming. Peering further into the

future, one can speculate that

ments will force legislators to consider changes to other insti-

men serve, is being held this autumn. It has no chance of obtaining a negative answer.

Minister to the Soviet Union.
One of the criticisms levelled against Mr Gerber, the Federal

of his office so heavily on anti-Communist counter-espionage work that it had no time to deal with the drugs traffic. Swiss military strategy focuses on countering an

tutions fundamental to the Swiss way of life. A referendum posing the question of whether Switzer-land really needs the militia army, in which all ahle-bodied

Yet Mr Villiger who took over responsibility for the army on joining the Federal Council, has just paid the first official visit by a Swiss Defence

prosecutor, during the ruckus over the Kopp affair was that he had concentrated the work

attack from the East. A some-what ponderous review of that strategy has been going on strategy has been going on since 1984. Any assessment of the validity of the changes in Soviet defence policy announced by Mr Mikhail Gorbachev must gain momentum from Mr Villiger's visit.

Is it possible that historians may one day single out the visit of Mr Villiger – brought into office by the Kopp affair – as marking a turning point in Swiss defence policy?

Swiss defence policy?

FRANCE

a Chaux-da-Fond:

THE ECONOMY

# Bank's cure for overheating

are the uncertain element in the Swiss economy this year.
Regular watchers will follow
closely the price indices, the
money supply and the Swiss
National Bank's interest rates. Like most other industria-

lised countries Switzerland last year shrugged off the apprehensions aroused by the October 1987 stock market crash. It recorded a sixth successive year of economic growth with a better result than anyone dared to forecast at the start of the year.

Provisional estimates put

the increase in GDP at 3 per cent compared with 2.3 per

cent for 1987.

This year Swiss economic analysts agree that the expansion will start to taper off with a more marked decline in

Growth estimates for 1989

fall within a range of 2.1 to 2.6 per cent, while the spread for the 1990 slowdown varies from 2.1 per cent to only 0.6 per cent in the most recent prediction, from the Centre for Applied Economic Research at the University of Lausanne. The general assumption is that the SNB's declared inten-

tion of maintaining price sta-bility will be fulfilled, provid-ing a springhoard for renewed growth in 1991. The central bank has a relatively good record since the early 1980s in hitting its monetary targets.

Last year, when the outcome

ITALY

THE DATE of 1992 probably has more significance for the

average Swiss than for most

people living in the European Community.

Community.

Certainly the initial reaction in Switzerland to the accelerating pace of the creation of a single European market was one of consternation. Politicians, articles and books

warned of the possibility of iso-lation, marginalisation, dis-crimination against Swiss

employees and goods, and even Albanianisation.

have come to recognise the advantages of joining the EC. The banking and insurance communities would undoubtedly benefit. So too would

industries such as textiles, clothing and synthetic materi-als manufacture which export

more than 80 per cent of their production to the EC. In total, trade with the EC represents about 45 per cent of Switzerland's GNP.

However, despite these advantages, few appear willing to pay what they perceive to be too high a price for membership. This opposition is not limited to blind Europhobia.

Those opposed to membership fear that it would:

compromise the sovereignty of the Swiss political system and adversely affect the coun-

try's unique direct democracy.

end Switzerland's neutrality which allowed it to avoid the

worst effects of two world wars. It should be remembered

that in a recent referendum the country rejected membership of the United Nations because it might affect Switzerland's

• have severe effects on agri-culture. Though Swiss farmers

are among the most protected in the world, despite productiv-

ity increases in recent years, they supply only 65 per cent of domestic food requirements.

There are fears that member-ship would undermine their

position still further.

neutral position.

More recently, many Swiss

target, was exceptional for several reasons, among them the SNB's own alterations to the rules governing the banks' liquidity requirements. For 1989 its target is 2 per

cent growth in the monetary base, or the seasonally adjusted central bank money, as it now calls its selected money stock, which comprises banknotes in circulation and the commercial bank reserves

the commercial name reserves held with the SNB.

On April 13 it reaffirmed its determination to squeeze out inflation, when it raised its discount and Lombard rates for the third time since the hasinging of Desember.

for the taily time since the beginning of December.

The SNB's credibility in the currency markets is especially important this year to what happens in the real economy. SNB strategy sims at keeping prices stable with the least possible cost to the real economics. omy. Its officials maintain that it will not be deflected from its primary objective by short-term fluctuations in

exchange rates.

However, its monetary tar geting of recent years has been possible precisely because of the absence of speculation around the franc in the currency markets. Before it increased its rates on April 13, the franc had fallen by more than 10 per cent against the dollar and by over 3.5 per cent against the D-Mark since the

LIECHTENSTEIN

ITALY

Rather, a "third way" has

been adopted for Switzerland's

relationship with the Community. What is not clear is how that third way might be

defined or achieved.
One method of defining Swit-

zerland's position could be through the European Free Trade Association (Efta). In a

recent Swiss policy document

it was stated that within a multilateral context Efta repre-sented one of the principal instruments for political inte-

However, even though Efta

may represent one of the best multilateral methods, it is not clear that a multilateral approach is the best for Switzerland. The interests of the

various countries within Effa are far from similar. Austria has suggested that it may for-mally ask some time this year to join the EC. And the Nordic countries are far more troubled

by the issue of fishing rights than, say, transport routes over the Alps – one of Switzer-

land's main concerns.

The other possible method of achieving a modus vivendi is through bilateral agreements.

The Swiss Foreign Ministry

points out that in the past it has negotiated over 130 such

agreements. It expects that these, which deal with poten-tial problems issue by issue,

land becomes part of the Com-munity in all but pame.

Although it is only just a whisper, there is concern that by not joining the EC and not

taking part in decisions which affect it, Switzerland could

already be losing sovereignty To join or not to join: the effec

might be the same.

gration with the EC.

EC RELATIONS

'Albanians' eye

the Community

AUSTRIA

start of the year. W. GERMANY

spending averaged 2.3 per cent in 1988 and in January the index used by the Federal Economic Affairs Commission to measure consumer expectations was at its highest level

since its inception in 1972. Other short-term influences on consumer price inflation include the increases since last year in the prices of imported fuels, rises in transport tariffs

and interest rates.

However, forecasters retain their confidence in the SNB's ability to check this year's inflationary pressures. The current health of the economy is due both to constitutional factors — the anti-inflationary monetary stance, the addiction to balanced budgets and the propensity to save - and to the muscle-building moderni-

shown by an outcry in the Union Bank of Switzerland's foreign exchange quarterly newsletter, accusing Swiss monetary authorities of man-ceuvring the franc into "the absolutely unaccustomed role of the industrialised world's

weakest currency."

The consumer price index was at an annual growth rate of 2.3 per cent in March and the most recent forecast from the University of Lausanne team foresaw it recording a year-on-year average increase of 3.5 per cent in 1969 — not dramatic but almost certainly higher than the West German

This January's car sales were up 19 per cent on 12 months ago

rate. On the other hand, the Lausanne team expected the situation to be reversed in 1990 and 1991 with Swiss prices growing more slowly than the German.

Overheating in the economy is now fairly evident. Unemployment, stuck at a rate of 0.7 per cent, has virtually been squeezed out of the economy.

Some 160,000 jobs, an increase
of 5 per cent, have been created sincs 1984 and the
employment index advanced a
further 1.2 per cent last year.

With manufacturing output

howing an 8 per cent increase in the last quarter of 1988, capacity utilisation was well over 88 per cent (near 92 per cent in exporting companies).

Wages rose on average by 3
per cent in 1968 (and the consumer price index by 1.9 per
cent) and on the bests of wage
agreements struck at the end of the year an average 4 per cent rise seems likely for 1989. Import demand remains strong. After notching a record in 1988, car sales num-bered 25,281 in January this

year, or 19 per cent more than in the same month last year. The growth in consumer

sation course, to which a large part of industry has subjected

remain competitive. Fixed investment grew by 5.8 per cent last year after increases of 8.5 per cent in 1986 and 7.6 per cent in 1987. Spending on equipment, a sign of the thrust to modernise.

climbed by 7.5 per cent last year, following increases of 15.4 per cent and 11.3 per cent in the two preceding years.

There is some difference of opinion about the continuation of the investment drive. A marked deceleration in investment is central to the Univer-sity of Lausanne team's 0.6 per at forecast for GDP growth in 1990, whereas surveys by some industrial associations indicate that considerable investments are still in the

A UBS survey of 1,700 firms, conducted at the end of 1988, concluded that most business sectors intended to maintain or step up investments in 1889.
Only engineering and construction reported investment targets below their exceptional 1988 levels.
URS found that the services

sector would step up invest-ments more than industry this year and noted that investment growth was heavily focused on improving informa-tion and communication tech-

tion and communication technologies.

Most Swiss companies recorded good earnings growth last year. The URS survey reported that companies were more cautious in predicting earnings than in forecasting sales in 1989.

Theorytainty over currents

Uncertainty over currency developments is one reason for caution in forecasting export earnings. At the moment exporters are favoured by the relative weakness of the franc and the strength of the dollar.

The export industry performance has varied over the past foar years, usually under the influence of the dollar exchange rate. UBS predicts a further expansion in export volume in 1989 but with some decline in the rate of growth.

It expects a real increase of 3.5 per cent in exports to be more than offset by a 4.5 per cent real growth in imports, leading to a further deterioration in the balance on trade in

goods which recorded a deficit of SFr 8.3bn (35bn) last year. However, Switzerland can happily absorb heavy deficits on its merchandise trade thanks to the surplus on services and the annual return on its foreign investments. Last year these combined to con-vert a SFr 8.3bn shortfall on trade in goods into a SFr 9.1bn

2.12.

in the payments balance. So if the SNB succeed doctoring the current bout of inflationary fever, the economy is in a pretty healthy state.

William Dulliorce



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 lead to an influx of foreigners into the country if Switzerland was obliged to accept free Swiss Review of World Affairs, Subscription Department P.O. Box 660, CH-8021 Zürich, Switzerland movement of labour. There is already considerable hostility towards those living in Haute-Savoie who commute into Geneva each day.

Recent debates at the Con-seil National in Berne have accepted that neither membership of the EC nor isolation are possible alternatives at pres

dystrogrames for Royal Text Ellents these, which deal with poten-tial problems issue by issue, will eventually prove the best way of defining Switzerland's relations with the Community. In the long term, there are fears that those bilateral and multilateral agreements could mean, in effect, that Switzer-land becomes part of the Com-Royal Trust Bank Switzerland)

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SWITZERLAND'S financial

markets last year were very much under the influence of the "Black Monday" crash of 1987. Securities turnover in

straight bond issues.

to only SFr 2.35bn in the value of domestic share issues. These more than offset the rise in for-

eign borrowers' issues of bonds and notes by SFr 4bn to an

all-time high of SFr 40bn and

an expansion of over SFr 2.1bn to some SFr 13.8bn in the vol-

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Pressure for change in the country's financial markets

# A world leader must not be left behind



Things have perked up again somewhat in the first quarter of 1989, at least in respect of share prices, with the Swissindex up over the 1,000 mark again. Foreign interest in medium and long-term Swiss franc paper is considerably below last year's levels,

Otto Stich, Finance Minister – wants to drop one stamp

ume of domestic bond issues.

As far as the investing public is concerned, the Swiss themselves have been slow to take advantage of the relatively low share prices of the past 18 months. Institutional past 18 months. institutional investors, particularly the timid pension funds, were thoroughly scared by what happened in October 1967.

Foreigners have been put off not only by the sluggish recovery of Swiss stock markets but also by uncertainty as to the

issues remain few and far between.

also by uncertainty as to the future of registered shares. Last November Nestlé had opened its stock ledger to foreigners, with a resultant slump in prices for bearer equities and the suspicion that other companies would soon follow suit — something which has not yet taken place.

In addition to this, Switzer-land is experiencing a rise in its traditionally low inflation rate and overall interest levels.
This has been having a correspondingly negative effect on the bond market with its relatively low coupons. It seems quite likely that Swiss enthusiasm for foreign Swiss franc bonds will be tempered by diffi-culties such as those now facing holders of the 1986 Nabisco

With regard to the exchange rate situation, the Swiss franc is noticeably down on the lev-

els of the past few years. This naturally makes corresponding financing more interesting for borrowers — but simultaneously removes the long-standing attraction for investors inherent in a possible currency gain.

There are reasons to expect a further improvement in the equities market. Bank, insurance and chemical company stocks in particular have been doing well for themselves in the past weeks, and annual reports are looking good almost across the board. All forecasters reckon on fur-

ther, albeit rather slower, growth for the national econ-omy as a whole both this year and next.
With the current rising trend

in rates, fixed interest securim rates, fixed interest securi-ties may be rather less invit-ing. There is, however, a vast pool of liquidity on the part of domestic investors who put security before real earnings. The flow of Swiss franc bonds and notes into foreign portfo-lios could also start growing again, also in the interest of again, also in the interest of low-risk asset management in an uncertain world.

Whatever the case, the Swiss financial market has a number of problems confronting it. One of these is that of stock exchange reorganisation. There are no fewer than seven separate bourses in Switzer-land, which gives rise to any number of discrepancies.

Dr Nicolas J. Baer, president of the Zurich exchange, recently called for the creation sink their remaining differof a homogenous securities trading system in Switzerland rather than what he called "exaggerated federalism." A

particular point at issue is the difference in trading hours.
Switzerland's stockbroking banks have in any case been going through a period of rapid change. Last year saw the launching of the Swiss options and financial futures exchange (Soffex) in the field of shares and share indices, the extension of trading hours, increases in the list of continuously-traded stock and the introduction tion of new emergency measures in the case of excessive share-price fluctuations. However, it still proved impossible to introduce the "cats" (or computer-assisted trading

systems). More changes are on hand. of particular significance is the "Electronic Bourse Switzer-land" system, though here, too, there has been a delay. Now the system will not start regu-lar operations — first for bond trading and subsequently for shares — until 1991. Nevertheless, slowly but surely, the stock exchanges are

having to grow together and are heading gradually towards an all-computerised future where there will be little room

Apart from the technological revolution and the need for increased overall trading increased overall trading capacity, the structure of the markets is itself undergoing a considerable alteration. Changes range from an opening-up of issue syndicates – at the expense of the big banks – through the spread of greymarket (pre-issue) trading to the listing of low-rated furging the listing of low-rated foreign

bonds.

All of these pose problems for the banks, which are in any case taken up with such vexed questions as the elimination of money laundering, insider dealing and abuses of the insti-tution of banking secrecy. Their reaction to extraneous developments on financial markets also extends to their own reporting techniques: this month, the Federal Banking Commission drew attention to the fact that banks as a whole had overstated their profits for 1987, possibly in the wake of the October crash, and indi-cated that it might update guidelines governing the mohi-lisation of hidden reserves.

At the same time, stockbrokers continue to demand that

always contended that this is a major and growing disadvan-tage in international business and feels it will be even more of a hindrance should the European Commission decide on the general abolition of stamp duty within the RC next

year.

For his part, Dr Otto Stich, the Finance Minister, agrees the levy should be dropped on some transactions. But he still

There will be little room for traditional 'outcry' trading

makes its total abolition dependent on the creation of compensatory fiscal income. One possibility would be the introduction of a stamp duty on fiduciary deposits, a step the association says would destroy what is today a "thriving business."

Another tax issue which the Swiss are considering is the possible result of the EC Com-mission's proposal to institute a Community-wide at-source tax on interest income. Although this would ostensibly go some way towards offsetting Switzerland's own 35 per cent withholding tax, it is not inithe Government scrap the stamp duty on financial tially seen as a substantial market transactions. The Swiss advantage - apart from the

fact that it might not happen,

As far as actual Swiss securi-ties are concerned, a key devel-opment will be the pending revision of the country's Equi-ties Act. This could lead to considerable changes in the character of listed stock, as for example in the relative "weight" of shares on the basis of their nominal value.

Even more important - and something which is largely independent of the draft legisindependent of the draft legis-lation — is the question of reg-istered shares. Both within Switzerland and abroad there is a growing feeling that inter-nationally-active Swiss compa-nies should be more prepared to share their substance with the outside world. This would mean either a decision to fol-low Nestle's example or a move low Nestle's example or a move to upgrade the position of vot-ing bearer stock as compared with registered shares or participation certificates.

As the consulting firm Arthur Andersen says in a report published last month, "after the flourishing upswing of the past decades, the Swiss financial centre is faced with its greatest challenge."

The country's markets, banks and listed companies have realised this and are well aware that all will be lost if they rest on their laurels. A great deal has still to be done if Switzerland is not to lag behind in a sector where it has traditionally been a world

John Wicks

#### INDUSTRY

# Restructuring seems to be paying off

THE COUNTRY'S important materials, Switzerland continmanufacturing sector did much better than expected last year, with both output and turnover up by some 7 per cent. In 1987 growth had been of only a modest 1 per cent and it had initially been feared that the economy would be affected in 1988 by the combination of a post-Black Monday recession and a failing dollar. Neither of these fears proved

to be justified. The stock market crisis had virtually no effect on international demand, while it was the Swiss franc which fell 10 per cent against the dollar during the course of 1988 and has since dropped fur-

At the same time, Swiss domestic demand for both capi-tal and consumer goods has

remained expansive.

The good news is mirrored in the vast majority of annual reports from companies and trade associations. But it is reflected to considerably less an extent on the stock market. Admittedly, the industrial share index has risen a good 10 per cent since the start of this year - but is still almost 9 per cent below its 1987 peak.

This shortfall is attributable primarily to a combination of continued timidity on the part of Swiss investors and the loss of foreign enthusiasm due to uncertainty as to whether other companies will follow Nestle's November example

and make registered shares available to non-residents. The success of the industrial sector is the result not only of gratifying world market and foreign exchange conditions but also of the frequently radical restructuring process within Swiss manufacturing

over the past years.
Such traditional industries
as textiles, watchmaking and
engineering found they had to carry out very substantial reor-ganisation of management, production lines and the deployment of human resources. Activities urgently needed rationalisation in the light of technological change, as well as to compensate for the national disadvantages of an extremely hard currency and extremely scarce man-

With a few exceptions, these restructuring programmes have worked out well, with industrial output rising more or less steadily as the labour force has shrunk or at best shown slight increases in individual years. As a country with very high production costs and as good as no raw

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ues to rely on high levels of innovation and quality control. Latest government figures show that Swiss expenditure on research and development is, at 2.9 per cent of gross domestic products, one of the world's highest — with more than three quarters of this coming from the private sector. Industrial companies alone spent SFr 5.5bn on R&D in

Switzerland in 1986, plus SFr 3.1bn abroad. Generally speaking, pros-pects look good for Swiss industry this year. The Swiss franc remains noticeably below the exchange rates of the past

the exchange rates of the past few years, with its relative strength against the Deutsche-mark being particularly favourable. The neighbouring Federal Republic is Switzer-land's biggest single export market and international com-netions. petitor.

At the same time, demand looks like holding up well. Both 1989 and, almost cer-tainly, 1990 should see a continuation of the Swiss boom.

Foreign orders were up, but growth rates were down

For all that, there are defi-nite signs of deceleration. Fig-ures for the final quarter of last year show that foreign and domestic orders were again up on the corresponding 1987. period but that growth rates were down. All forecasters are expecting GDP growth as a whole to slacken off this year

and next. This is far from serious, especially as large sectors of Swiss industry are running at full capacity and thus often barely able to handle new busi-ness. With the jobless rate at 0.7 per cent and tending lower, there is certainly no unemploy-

ment scare.

However, the extreme shortage of labour – particularly
akilled labour – is posing problems for manufacturers, just as the flaccidity of the national currency raises their costs for imported materials at the same time as it improves their chances on export mar-

Some concern is also being expressed at the gradual rise in the country's traditionally very low inflation rate. Although the Swiss National Bank considers 3 per cent inflation unacceptable, all the indications are that the rate is heading towards this level and will probably pass it within about a year. This will, of course, take away some of the advantages gained by export industry from the more helpful exchange rate. Some concern is also being

rate.
But whatever the case, Swiss industry is in much better shape to handle any difficulties than before the health cure of the past years. Nor do most manufacturers see the forth-coming single European market of 1992 as representing a serious threat for non-mamber Switzerland. Apart from the fact that most of the sizeable companies, have long been established within the Community, there is no lack of readiness to adapt wherever possible to EC standards or other requirements.

requirements. The country also has a iong-standing free-trade agreement with Brussels and is optimistic that links will become closer between the EC and

Indeed, not a few manufac-\_\_\_Continued on Page 4



Bank Leu



Credit Suisse



Swiss Bank Corporation



Swiss Volksbank



Union Bank of Switzerland

John Wicks examines a success story

# Chemicals lead the field

LAST YEAR turned out even better than had been expected for Switzerland's chemical and pharmaceutical companies. And there are no signs of any decline in the future.

decline in the future.

This year has got off to a promising start. In 1988, foreign sales of the export-oriented industry went up 8.5 per cent to a record SFr 15.86bn despite only minimal price increases. While that growth rate was no more than the overall expansion in Swiss merchandise exports, turnover of the chemical manufacturers grew much faster than the national average. This reflects the substantial operations of

their foreign subsidiaries.
Consolidated figures of the four Basle chemical concerns
Ciba-Geigy, Sandoz, Hoffmann-La Roche and the Alusuisse subsidiary Lonza – bear this out, having gone up 12 to 15 per cent last year, to a joint

Profits have been excellent, as the results of Sandoz (up 21 per cent) and Ciba-Geigy (up 20 per cent) show. A survey by Union Bank of Switzerland puts earnings for the industry as a whole as "relatively high" in 1988 compared with those of other branches.

Initial indicators for the current year are good. The Government reports a "continuation of particularly keen demand" for Swiss chemical products in the final quarter of 1988, while actual export figures point to a rise in foreign sales in the first two months of 1989 of some 12 per cent over

the same period last year.

The UBS survey claims that the chemical industry, together with the insurance and retail sectors, is the most optimistic with regard to 1989 turnover and again awaits profit growth well above the Swiss average. A Credit Suisse study also forecasts further increases in sales and earnings this year.

and earnings this year.

Investors, who have been relatively unimpressed by the performance of some other industries, have got the message. The index for chemical/pharmaceutical sales this month hit an all-time high, the sector being the only one to have surpassed the peaks

Some of the Basie majors spend up to 15 per cent on R&D

reached before the stock market crash of October, 1987.

At the same time, chemical companies have again shown their unwillingness to hang on to low-return operations on the margins of the industry. Only a few months ago, Roche sold Kontron Instruments, its uneconomic medical equipment subsidiary, to a European group led by Baring Capital Investors, while Ciba-Geigy disposed of Inford, its photographic division, to

International Paper.
While the chemical sector is likely to retain its position as a locomotive for Switzerland's export industry in 1989, it looks as though the rate of growth

could be lower than last year.

There are a number of reasons for this. First of all, there appears to be little room to increase prices. This is very much the case in the pharmaceutical sector and can be offset only by the growing trend for Swiss companies to enter

the non-prescription market. At the same time, many raw material prices are rising at a time when the Swiss franc is relatively weak. In the case of the agrochemicals producers, crop reduction programmes and drought can again slam the brake on foreign demand.

the brake on foreign demand.

Over and above these considerations, Swiss producers face higher domestic inflation and an ever-greater financial burden from the demands of environmental control.

On the other hand, the weak-

On the other hand, the weakness of the Swiss franc aids exports and has at least a cosmetic effect on international sales and profit figures. Last year exchange rate fluctuations barely affected the major firms' annual figures. A continuing problem for the home operations of Swiss chemical companies is the lack of manpower, especially of highly-qualified staff. They were nevertheless able to recruit extra personnel last year and hope to add at least slightly to their forces in 1989. But the labour pool remains very limited and the authorities show little inclination to ease up on immigration quotas.

Chemical industry investment rose considerably in 1988

and further growth is likely

is due to the need for better environmental protection installations, a significant factor since the Sandoz fire at Schweizerhalle in 1986. There is an encouraging flow of new products – but these

of new products — but these replace rather than add to existing lines, so that actual production volume need not show corresponding growth. It seems probable that the major players will make further acquisitions abroad in 1989, over and above the various internal growth projects of existing foreign subsidiaries.

The pattern has changed

The pattern has changed over the past year, however. Swiss companies now tend to concentrate on the takeover of medium-sized firms as "rounding-off" acquisitions. But this does not exclude really large-scale transactions, though — the Basie companies are not

short of money.

There will be — and can be — no letting up in respect of research and development activities. With new pharmaceuticals costing something like SFr 200m to develop, for example, some divisions of the Basle majors regularly spend up to 15 per cent of sales on R&D. Here, too, a large part of the expenditure is made overseas. A government report issued last month shows that between 1983 and 1986, Swiss chemical companies' growth in R&D spending rose by only 5 per cent in real terms within Switzerland — but by about one-third abroad.

Despite all this, the days are long past when the industry was issuing veiled threats that it might have to pull up stakes Bodmer, president of the Swiss Association of Chemical Industries, recently gave the assurance that "we see ourselves as a Swiss industry and will continue to have a strong Swiss base." This, he said, was not "for reasons of emotion or folklore, but due to the fact of the internationally outstanding level of research efficiency in Switzerland." To finance research there, he added, it was necessary to keep up both production and exports locally. The question of location is, of course, linked to develop ments in the neighbouring economic community. In general, Swiss chemical manufacturers

do not seem to face any insuperable problems in respect of 1992: most of their products, after all, are high-added-value specialities from a country with usually impressive standards of quality control.

Over and above this, most large and medium-sized producers already have a presence in the European Community.

There are, however, possible points of issue — price or cartel controls, for instance, or various forms of administraMACHINE INDUSTRY

# A 1992 frame of mind

THE SWISS machine industry is on the way towards a sixth year of almost continuous growth in demand for its products. Steady growth of the world economy and an uncharacteristic recent weakening of the Swiss franc have made this performance possible.

New orders of SFr 21.bn

New orders of SFr 21.bn (about 57.8bn) booked last year by 200 representative enterprises reporting to the Swiss Machine Builders' Association were 8.1 per cent above those of 1987 and constituted a record Exports of the industry as a whole rose by 8.7 per cent to SFr 34bn, or about two-thirds of the industry's estimated total sales of SFr 44bn-45bn. Exports are heavily skewed towards the European Community and, in particular, towards West Germany.

The obvious question is whether the good times can last. Growth seems to have been maintained steadily in the opening months of this

The obvious question is whether the good times can last. Growth seems to have been maintained steadily in the opening months of this year. But there is a widespread feeling that demand will slow down later in 1969. It is based on forecasts that growth in the world at large will then level off, though the Swiss have not so far noted any concrete signs of this occurring.

of this occurring.

Much will depend on the unknown (and probably unknowable) development of the exchange rate. Monetary policy has lately been relaxed: a tightening dictated by fears of a recrudescence of inflation could greatly alter the picture. In spite of the smallness of their country, the Swiss rank seventh among the world's exporters of machinery. Where do the comparative advantages lie which have made this possible, even though Swiss wage levels are among the highest in

the world?

Firstly, these wages are paid to a labour force of very high skills taught in the greatly admired Swiss system of apprenticeship. Secondly, it is a highly disciplined labour force. But the reverse of the coin is that labour is scarce; the number of vacancies in the machine building industry exceeds the number of its manual over.

unemployed.

The shortage is especially pronounced at white collar level. Mr Peter Eberhard, of the Machine Builders' Association, complains not enough engineers are coming from the universities. Specialists in information technology are particularly hard to find. Some have been brought in from abroad, but Switzerland has a restrictive immigration policy.

Dr Beat Balmer, of Motor Columbus, a concern involved in consultant engineering, the electrical industry and other specialised activities, says in discussing comparative advantage: "There is no shortage of

electrical industry and other specialised activities, says in discussing comparative advantage: "There is no shortage of money, if you have a good idea and make it sound plausible, you will find the funds." That is not universally accepted, but there is no doubt that interest rates, because they are usually very low by international standards, have been of great help to Swiss industry.

The structure of the machine industry is a key factor. In general, businesses are small, employing 400 persons on aver-



age. Among machine tool makers, that figure fails to 130-140. If so small an enterprise fails, it will not be taken as a national calamity. And this small scale greatly facilitates the flexibility without which

the industry could not survive.

Flexibility is at a premium because, to survive, most individual machine builders have to find and occupy niches in the world market. To make that possible, they have concentrated on highly specialised, often custom-made products, requiring the ability to adapt to customers' needs.

The degree of adaptation required can be seen from the example of Feintool, a world leader in fine blanking, a form of machine tool which cuts and shapes metal parts to a high degree of precision. When the business was young, in the 1960s, it did 80 per cent of its trade with makers of office machines (also a traditional centre of Swiss strength).

The advent of electronics all but killed that part of Feintool's business. The motor industry then became the chief customer. It still is, but trade with the office machine makers is making a comeback. Because of the great personal computer boom their need to make metal parts is growing again, even though there are far fewer metal components in each individual machine than in pre-electronic days.

Insufficient flexibility goes a

long way towards explaining the troubles suffered by some of the bigger members of the industry. The difficulties provoked some drastic changes of ownership patterns. Brown Boveri, which was caught by stagnating demand for power generating equipment, has been merged with the Swedish Assa concern into a new company, ABB. A stringent programme of reducing the labour force has been wedently and the same of the sam

force has been undertaken.
At the same time, management is being decentralised. The heads of individual sections of the business are now responsible for day-to-day decisions, subject only to the guidelines of the centre. The Swiss section of ABB returned to operating profit last year, but it will be more than exceeded by restructuring costs, to a large extent compensation for loss of jobs.

New major shareholders have emerged at Sulzer and Saurer. This year they have strengthened their hold on the two concerns. Both businesses have further concentrated on their areas of strength, in the case of Saurer embroidery machines. Sulzer has given up marine diesels, where once — even though Switzerland is landlocked — it was among the world leaders. An attempt to carry on with research and development, licensing the results to lower cost producers, preceded unviable.

proved unviable.

The implication of all this is that pressure to rationalise and specialise will continue. It will probably increase as the European Community perfects its internal market by the end of 1992, as is planned. On the face of it, that plan should not tion, worry Swiss machine builders

since, under an existing free trade agreement, their products already enter the EC free of tariffs and quotas.

of tariffs and quotas.

But things are a hit more complicated. Mr Eberhard, of the Machine Builders, says that 1992 will present not an overwhelming problem, but a lot of little ones. For instance, the proposals for a common EC system of product liability will probably differ from the Swiss system, causing difficulties with imported machinery.

Swiss exports to the EC require certificates of origin. That red tane may make little

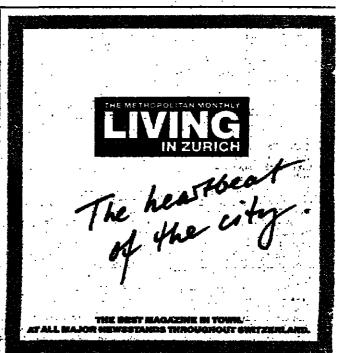
require certificates of origin. That red tape may make little difference where expensive machines are concerned, but it could become awkward in the case of spares and servicing. Switzerland has its own system of industrial standards, but that should not prove a serious obstacle. Swiss export.

Switzerland has its own system of industrial standards, but that should not prove a serious obstacle. Swiss exporters have shown their shility to adapt to West German industrial standards which, under EC plans for the internal market, will be acceptable throughout the Community.

Undoubteily, there is a mal-

Undoubtedly, there is a malaise among Swiss machine builders and others because 1992 could force them to transfer even more capacities than is already the case to the EC, especially to West Germany. But Dr Balmer of Motor Columbus says: "We regard West Germany as part of our home market." That sounds like the right frame of mind for 1992.

W. L. Luetkens



EUROPE 1992

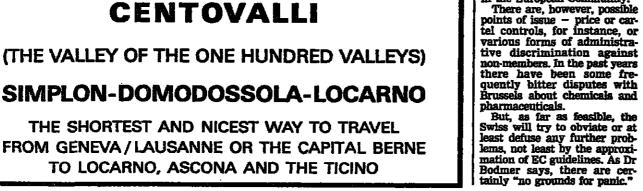
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# Which are Europe's top 10 banks? Three ways to measure Rabobank.

All figures end - 1987 Publication: Euromoney, January 1989.

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1. Crédit Suisse	0.53	1. NatWest	9,165.26	1. Crédit Suisse	6.23
2. Paribas	0.53	2. Crédit Agricole	8,741.16	2. UBS	6.14
3. NatWest	0.52	3. Barclays	7,707.28	3. SBC	6.06
4. Rabobank	0.49	4. UBS	7,626.19	4. Rabobank	5.79
5. UBS	0.49	5. Deutsche Bank	7,111.66	5. NatWest	5.70
6. SBC	0.49	6. SBC	6,855.09	6. Midland	5.54
7. ABN Bank	0.35	7. BNP	5,379.40	7. Lloyds	5.33
8. Amro Bank	0.34	8. Crédit Suisse	5,174.34	8. Paribas	5.25
9. Société Générale	0.34	9. Midland	4,839.98	9. Barclays	4.98
10. BNP	0.32	10. Rabobank	4,716.17	10. Deutsche Bank	4.22
Source; IBCA		Source: Euromoney		Source: IBCA	



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# Industry's changes paying off

turers see the drawing-together of the EC states as a real opportunity for them, leading as they believe it will to greater demand for sophisticated Swiss equipment and systems to speed up the rationalisation called for in a less sheltered marketplace.

For the foreseeable future, then, Swiss industry seems set fair to continue real growth, albeit at a more modest rate. This will have to depend more than ever on upgrading industry rather than simply adding new capacities.

With the almost non-existent

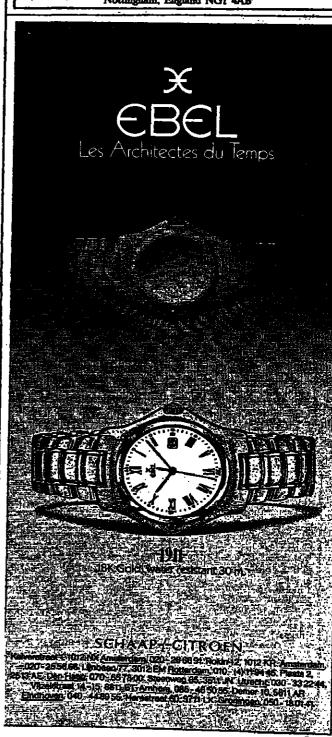
with the almost non-existent labour pool, the shortage and high cost of industrial sites and the general public opposition to any major new manufacturing projects, any growth in volume other than that attained by rationalisation will remain limited to small light-industrial or high-technology units. The main thrust will be further added value within existing operations.

As an accompaniment to this, Swiss industries, for years among the most important direct investors in the rest of the world, will continue to set up or acquire facilities elsewhere. The United States will remain a primary target, but increasing interest is being shown in South-East Asian projects and to some extent in new EC ventures.

Nor will the growth be limited to manufacturing as such. The manpower and cost factors have long led Swiss companies to establish new R&D capacities in foreign countries. This trend, too, will doubtless keep growing.

National statistics thus give

less and less a true picture of the actual strength of Swiss industry. The foreign "empire" of Switzerland's manufacturers is growing larger by the day. John Wicks



Paul Abrahams on an engineering group's recovery

## Sulzer puts the customer first

SWITZERLAND is not the managerial support.

Me says that the importance of technology can be seen in try has few natural resources, the group's recent investment investment. most obvious base for industrial manufacturing. The country has few natural resources, labour is both in short supply and expensive, and the Swiss franc has become sufficiently strong over the last 20 years as to make exporting far from easy. And the Government, unlike its counterparts elsewhere, does little in the way of subsidies to help the sector.

Between 1975 and 1982, the performance of Sulzer, the Winterthur-based engineering concern, appeared to bear out the generally poor prognosis for Swiss manufacturing. Profits fell persistently as the company's core activities in diesel engines and the oil and gas sectors declined. In 1963 and 1964 the group's losses totalled

The problem was that the group perceived itself as a machine maker and manufacturer of industrial goods. It was an engineering-led concern rather than a company supply-ing customer needs," explains Mr Fritz Fahrni, who became president and chief executive officer of Sulzer in May 1988.

"We needed to change from being a manufacturing concern to a technology group, providing the know-how that the cus-

Comment of the second

W. Proc

Mr. Fahrni says that the best way for the company to maintain margins is to provide added value through technol-ogy, which has become the

in research and development. In 1987, it invested SFr 202m in the area - an increase of 15 per cent. Most of this is decentralised and concentrated on providing applications and support as part of the company's emphasis on providing customer-oriented services.

This redirection in management style appears to be working. Analysts' reports suggest that the 1988 group profits, due to be announced next month, should reach around SFr 77m. The change in strategy has been accompanied by a series of acquisitions and disposals in the past two years, which have shifted the emphasis of the group from mature markets to areas with higher growth.

The management has not been sentimental in earmarking long-established divisions for disposal. In March this year it sold its loss-making diesel engine business to MAN of West Germany, thus ending an association with marine engines dating back nearly to the beginning of the century. In terms of acquisitions, the most striking purchase, in June 1988, was that of Interme-dics, a Texas-based medical supply company specialising in pacemakers. At the time, there were criticisms about the price

Washington to reduce expendi-ture on the health insurance scheme, Medicare However, on closer inspec-

Sulzer may not have been so generous. Mr Fahrni points out that Sulzer has been in medical engineering for a decade, but its business has been concentrated in Europe. Intermedics distribution channels should prove significant in helping Sulzer penetrate the US market - the largest in the world for medical engineering. The prospects for Interme-

dics are good, says Mr Fahrni. He says that the company will soon bring some significant products to the market - in particular, a pacemaker which treats fast, rather than slow. art rates. Sulzer denies its divestments

suggest that it is moving production out of Switzerland. The company says that it has always been internationally hased. It does admit, however, that there remain problems in manufacturing in the country.

One of the most pressing of these is a shortage of specialist workers, although this has the advantage of forcing the com-pany to concentrate on core activities. The strength of the Swiss franc also creates difficulties - some 98 per cent of Sulzer's weaving machinery is exported

There is also the lure of added value through technology, which has become the backbone of its business, and through providing partnership for the customer from the design and installation of a project through to service and manufacturing within the EC, especially given the creation of the single market in 1992. Sulzer says that it is clear that some divisions and products will have to be based elsewhere

of avoiding any risk of protec-tionism and because, as Mr Fahrni admits, "Switzerland is a small country and you can't

a small country and you can't do everything here."
Nevertheless, he points out that there are also advantages in being based in Switzerland — not least in terms of the availability of plentiful capital and political stability.

Because of these various fac-

tors, Mr Fahrni foresees a trend towards concentrating on more sophisticated engineering in Switzerland and locating other production elsewhere. Some 40 per cent of the company's current production is already manufactured outside its home country. Unusually, Sulzer has not

enjoyed one of the more obvi-ous advantages of being based in Switzerland – protection from hostile takeovers. For the past 18 months Mr Tito Tettamanti has held a hostile stake in the company. But this month his 35 per cent share of the voting capital was pur-chased by Mr Werner Rey, the

Swiss financier.
Mr Fahrni is scathing about
Mr Tettamanti. He argues that the Anglo-Saxon method of keeping management on its toes through the threat of takeovers is not efficient.

"We have spent far too much time fending off attacks over the last 18 months rather than improving profitability," he complains. "We foresee the time when we would welcome more international shareholders. But fair rules are needed to maintain independence without protecting inept man-

John Wicks profiles a machine-tool manufacturer

# **Tornos-Bechler turns the tide**

INDUSTRY IN the Swiss Jura has gone through a trying time in the past few years. The upheavals in the country's watch sector and the inability of many of the local familyrun crust businesses to adapt to new conditions have made inroads into the region's

long-standing prosperity.
Until recently, the machine tool manufacturer Tormos-Be-chier looked like being one of the major casualties. Based in Moutier, a town in the French-speaking part of Berne canton, the company started to feel the pinch in the mid-1970s when the oil crisis was disrupting world markets. At the same time, there were signs of "third-generation syn drome" typical in old-estab-

lished private enterprise. in fact, things began to look tough shortly after steps had been taken to improve corpo-rate prospects. In 1968 the original Tornos, a specialist in automatic lathes for the watchmaking industry, took over the neighbouring firm Petermann, a supplier to the watch and other industries.

watch and other industries.
Six years later came the merger with another Moutier company, Bechler, a manufacturer of fittings. The belief was that benefits would arise from aconomies of scale. On the contrary, what resulted was a single company with an eneconomically broad production programms and a workon programme and a work-Tarce of some 2,500. It also had a low level of productivity.

Despite a reduction in employment, the company was carrying a great deal of dead

started falling off to the point where more and more employees handed in their notices

while the going was good. At the end of 1986 management prepared a medium-term plan for the period 1987-90 and soon after began to look around for a partner. Unusu-ally for a Swiss company, it found this abroad. Since last July Tornos-Bechler has been associated with the German Rothenberger/Pittler group. This alliance makes sense in

view of the complementary activities of the new majority shareholder's engineering divi-sion. It also, however, reflects the fact that no "Swiss solunot without irony, since one reason for the 1974 merger of Tornos and Bechler had been to save Bechler from being taken over by foreigners. As Mr Michel Suchet, managing director, points out wryly: There is a lack of confider in industry in Switzerland -people here seem to have more

trust in the service sector." Whatever the case, the news of the German link did a lot to tore faith in the firm. At the same time, the 1986 plan started to take effect. This has resulted in a draco-

nian cut in the production pro-gramme, which today consists of only a limited number of profitable lines. The workforce has dropped by some 320 to little more than a thousand.

Tornos now manufactures a series of modern multi-spindle and turning lathes, as well as various conventional cam-

which last year also bought the American machine-tool company Motch from Switzerland's Oerlikon-Buehrle group - has its synergies. The Tor-nos-Bechler line complements that of its German associates, in that the Swiss company concentrates on diameters of up to 30mm and the Germans on larger bores, also in that Tornos has among its clients

suppliers to the car industry while Rothenberger sells to the car industry itself: There are also some synergies in sales. Unlike many Swiss, Mr Suchet does not worship at the shrine of high technology. This accounts, after all, for only about 20 per cent out, and his company is keep-ing to about this share in its production programme. Nor has Tornos fallen into the common Swiss trap of turning out quality far above the needs and pockets of the market. It aims instead for "the necesaims instead for "the neces-sary quality plus that Swiss touch" and, thanks to concen-trating on profitable products and automating production, has kept prices at 1986 levels and thus proved "very compet-

The results are impressive. The company today has the same turnover as when it employed 300-odd more people and sales per employee for 1988 of some SFr 170,000, compared with only SFr 50,000 five years earlier. Mr Suchet reckons on very good results for last year, with cash flow

driven machine tools. The co-operation with Rothenberger - equal to about 11 per cent of sales - as against 1987's modest 1.5 per cent.

With another medium-term plan pending, growth is to continue, with turnover set to reach about SFr 200,000 per capita by 1991 and SFr 300,000 by 1997. The 1989 budget is already reckoning on cash flow of 13-14 per cent of sales.
One of the most important assets for Mr Suchet is the excellent in-house training facilities. "Our future depends on the young," he says, and proved it by increasing the number of apprentices during the overall payroll cutback. Tornos-Bechler has, in fact,

in the country's entire machine tool industry. With today's high average employee age of over 45, there will be plenty of room for new talent. SFr 30m and SFr 40m are to be invested by 1992-93, an important share to go to computerisation. With much thicker order books and a big replacement market in the offing, the time will soon be coming when the company has to think about capacity expansion. As early as next year, it could even be looking at the possibil-ities of producing abroad — in

the biggest apprentice school

Europe, the US or Asia.

Nor is it out of the question that Tornos-Bechler shares could be listed in Switzerland in 1990 or 1991. Though Rothenberger is unlikely to want to cut its 80 per cent stake to a minority, it may be that the company could again become rather more "Swiss".

#### **WATCHES**

# Making it in the mass market

THE SWISS watchmaking industry is far from ordinary.
Certainly, its products are extraordinary - witness the Sm paid this month at auction for a single consumer product, the Patek Philippe Calibre 89. The sector is also unusual because it is one of the few industries to have been challenged by competition from South-East Asia, survive and subsequently prosper. Swiss manufacturers believe that their experience contains sigtheir experience contains significant lessons for other Euro-pean manufacturers faced with

Japanese competition.
The decline of the Swiss watchmaking industry began in the 1970s and accelerated during the early 1980s. Production of watches and movements collapsed from more than 90m in 1974 to just 45m items in 1983. Most of the fall was made up of low-value, high-volume products known as Roskopf watches. These were less accurate and more expensive than the new electronic quartz-powered watches.

The effect of this collapse in sales was marked. The number of manufacturers in the sector dropped from around 2,000 in 1965 to about 600 in the 1980s. Employment fell from nearly 90,000 in 1970 to under 40,000 in 1985. The industry seemed to be in terminal decline.

Yet, today, the outlook is bright. Although employment has not increased, sales are at record levels. Last year exports exceeded SFr 5bn for the first time — an increase of 16.4 per cent. The number of watches and movements sold also

increased by 3.8 per cent. The best-known company contributing to this turn-around is SMH, the group run by Mr Nicolas Hayek which manufactures under the marques of Omega, Longines, Rado and Swatch. In 1988 SMH's sales amounted to

nearly SFr 2bn.
Mr Hayek was the originator
of the Swatch, a plastic fashion-oriented watch at the low end of the market, which he used to take on manufacturers in South-East Asia. In five years, more than 50m Swatches have been sold. "Europeans have had a ten-

dency to leave the low mass market sector to the Far East because they believe they can't compete with it." he says. "But that's crazy because you can't keep an industry alive through high-end products alone." He says that by abandoning mass market strategies, Euro-

pean companies not only lose distribution channels, but also the chance to incorporate new technology in both their prod-ucts and production methods. He argues that Swatch was not a marketing success but a technical success. The watch's design was simplified so that the number of movements contained was reduced from about 200 to 51. This reduced the product's cost and improved its reliability because there were fewer parts to wear out.

Moreover, by learning how to manufacture cheaply the company has been able to create new markets. For example SMH has recently launched a watch called a Flik-Flak for young children to learn to tell the time. It costs less than £13 in the UK - a price which would have been inconceivable without the expertise built up manufacturing Swatches.

SMH's investment in new technology will repay the company in the future, says Mr Hayek Recently, the company launched a combined watch and paging device and is mov-



Where is the next generation of skilled watchmakers?

ing into telecommunications. Less known than the success of SMH at the low end of the market has been the resurgence of the high-end mechanical ancre-type watch. During the last three years, Patek Philippe the luxury watchmaker, has experienced 20 per cent growth. This month, it sold 301 watches at auction in Geneva for a record \$15.2m.

Clearly, conspicuous con-sumption is not out of fashion. According to Mr André Margot, l'Industrie Horlogère Suisse. the world market for watches over SFr 400 is worth about SFr 2bn a year, of which Swit-

It appears as though the Swiss watchmaking industry has managed to weather the storm of the stock market crash and dollar fluctuations quite well. Though the federa-tion's figures show that exports of all kinds of watches to the US last year fell for the second successive year, else-where sales remain strong. Mr Margot believes the statistics hide a considerable particularly from Hong Kong.

Swiss watches, which tends to act as a turntable for watches As for counterfeiting, Mr Margot estimates that 10m Swiss watches are copied every year. "Many purchasers are aware they are buying fakes because of their relatively low price and yet continue to buy them - depriving the true manufacturers of the benefits of their design. At the same time, consumers are depriving the medium-priced market of

the world's largest importer of

sales," he says.
Indeed, of all Swiss watch-makers it is those manufacturing in the medium-priced range, between SFr 70 and SFr 600, which appear to be under

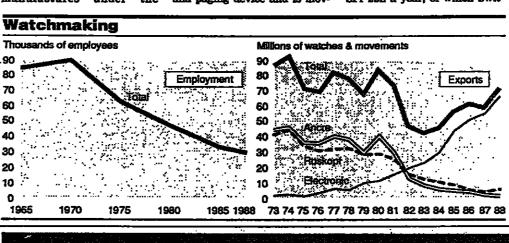
greatest pressure Some manufacturers, such as Brietling, based in Gren-chen, have reacted to competition from the Japanese by moving their products into higher price brackets. Mr François Thiébaud, a

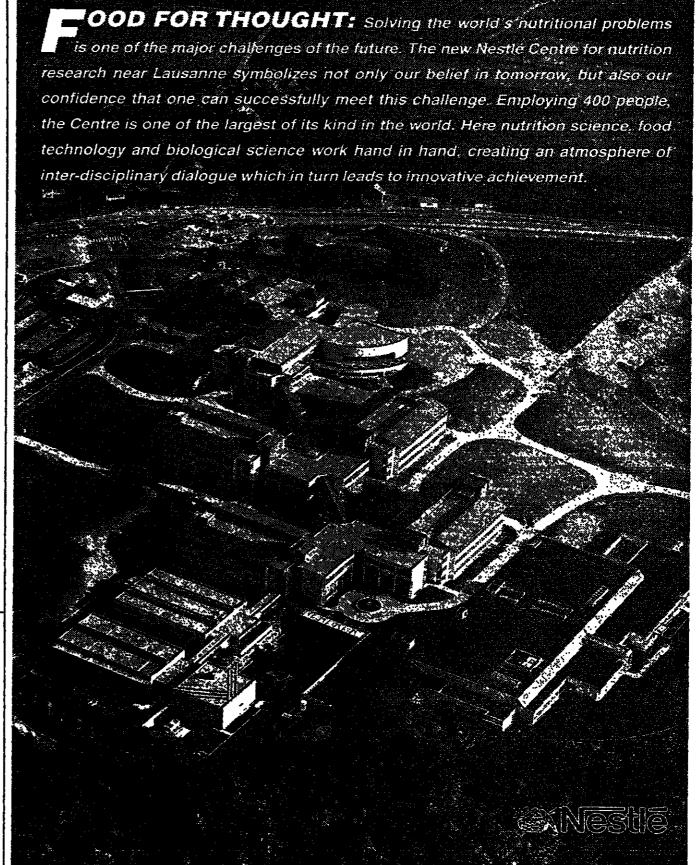
director at Brietling, explains that his company stresses both the quality of its products and the originality of its designs when marketing watches. This justifies a premium and offers the company greater margins. In a recent survey 61 per cent of Swiss manufacturers

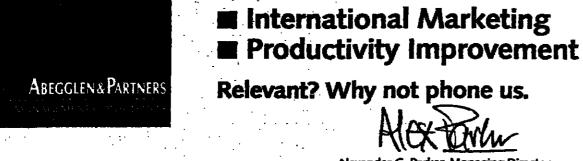
said they were optimistic about the outlook for international sales. Nevertheless, Mr Thiébaud believes certain problems still need to be faced. Not least of these is a shortage of skilled workers - although this problem is not unique to the watchmaking industry.
"In 10 to 20 years it will be

difficult to manufacture mechanical watches, even if there is demand for them, because of a lack of workers." he says. "We must make efforts to attract young people into the industry if we are

Paul Abrahams







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#### **SWITZERLAND 6**

#### **TOURISM**

# It's so dumb not to be chums

THE NIGHT PORTER is dumb. When a guest in the small but comfortable hotel near Berne wants to go out, he inserts his room key into a board near the reception desk, gives it a twist and the board releases a door key to let him in at night. On his return, the guest reverses the procedure and recovers his room key.

The gadget is but one product of the need to rationalise exerted by the scarcity and high cost of labour. The doorman was also dumb: so was the bootblack. Drinks are available from a fridge in each room. A polishing machine takes care of shoes.

But labour costs alone do not explain

But labour costs alone do not explain why the number of tourist overnight stays in Switzerland is stagnating around a mark of about 75m a year. Switzerland has some of the highest food prices in the world. The Swiss franc has been strong for a succession of years, adding to the effect. In the past few months the franc has in

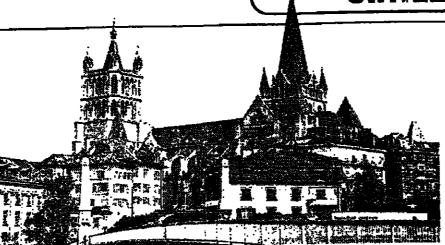
In the past few months the franc has in fact been weak, so that a holiday in Switzerland should cost rather less than in 1988. The tourist himself can push down the cost. Whoever is ready to eat local fare can save money by going to small but usually decent restaurants. Public transport is excellent and Swiss National Tourist offices abroad will advise on how to reduce fares by the use of rail and bus passes. They will also provide a brochure listing simple hotels that are "E&G,"

standing for economical and Gemuetlich.

Motorists who would rather not pay SFT 30 (about £11) for a sticker authorising them to use Swiss motorways should know that other roads are good and distances generally short. Cost apart, cheap long-haul flights and the rush of tourists to many new destinations have caused the Swiss to lose share in what has been one of the most dynamic of markets. On top of that, there is little space left for more tourist facilities. The number of ski lifts, cable cars and the like has reached a point where there is popular resistance against building any more.

(Many communes have curbed the building of holiday apartments. They particularly resent apartments which are not available for letting in the absence of the owner, as closed shutters give parts of some resorts a dead look.)

Dr Helmut Klee, deputy director-general of the National Tourist Office, says that the Swiss accept the loss of market share as a logical consequence of the small size of the country and of their revulsion against ruining the landscape. Mr Gottfried Kuenzi, head of the Swiss Association for the Tourist Trade, says that the association wants to improve existing facilities, but sets its face against the opening up of



The Best Charles Ressieres and Cathedral at Lausanne

any more winter sport regions.

Dr Peter Keller, of the Federal Office for Industry and Labour, asks: "How can we ensure that the tourist industry does not

All of them agree that the answer is to offer tourists a "better product," meaning that since they pay more than elsewhere, they had better be given good value.

But Dr Keller also says that the Swiss tourist industry, since it accounts for about 7 per cent of gross domestic product and produces revenues of about SFr 10bn (about £3.7bn) a year from foreign visitors, is too big to rely on finding niches in

is too big to rely on finding niches in world markets (as much of Swiss manufacturing industry does). The inference is that the industry will have to walk a tightrope, pleasing the wealthy tourist without driving out the masses.

Where the borderline lies will differ from resort to resort. There is some pressure to induce holiday hotels to offer 50 per cent reductions for children, even if

sure to induce holiday hotels to offer 50 per cent reductions for children, even if they have their own room instead of sharing with their parents. Many hotel keepers are not keen on the idea — even though studies have shown that visitors who have been to Switzerland as children are far more likely to return as adults than those who did not come in younger years.

To encourage the well-heeled visitor

To encourage the well-heeled visitor instead of the mass market, prescriptions include rolling back the number of places for caravans and clamping down on the building of holiday homes. The first suggestion has the restaurant keepers and retail trade up in arms; the second is anathema to the construction industry.

A great unknown is how the completion of the internal market of the European Community will affect the Swiss industry. Everyone seems to be worried, but nobody seems to be sure. The most concrete fear is that EC social and regional funds will finance a great expansion of tourist facilities in the Mediterranean member countries. Deregulation might cut air fares to holiday destinations within the EC.

(Another theory to be heard, but not widely shared, has it that by remaining outside the Community Switzerland will gain "snob appeal" as something special.)

How one classic holiday region is trying

How one classic holiday region is trying to deal with these dilemmas can be seen at Locarno and Ascona on the shore of Lake Maggiore in the Italian-speaking Ticino. The neighbouring resorts with their immediate surroundings became tourist centres in the 19th century. But grandpa's tourism is out-of-date: it requires too much labour

at Lausanne
and is ill-equipped to cope with guests who
stay for a few days only. At Ascona, with
2,500 hotel beds, no fewer than 1,000 in
four and five star hotels, the average stay

is only five days; at Locarno with fewer luxury hotels, the average stay is 3.6 days. Tucked in between lake and hillside, neither resort has much space to develop. And since they are not in the high mountains, both compete more directly with holiday regions outside Switzerland than do, for example, the Engadine or the Berness highereds.

Both resorts have put money into providing cultural attractions of many kinds: Locarno has annual film festivals and flower shows devoted entirely to camellias which flourish in the mild climate. Ascona has a music festival with international celebrities and this year, for the first time, is setting up an open-air stage for opera productions "borrowed" from Verona and Venice. Won't they be rained off?

No, says Mr F Vacchini, head of the

No, says Mr F Vacchini, head of the Ascona tourist office: there are only three days of rain in an average Ascona July.

Both resorts are casting a baleful eye at a camping lot with room for 20,000 people on the other side of the lake and obviously hope to roll back the invasions of campers

from there on rainy days in summer.

The greatest effort has been reserved for a scheme to banish through traffic from the two resorts. Road tunnels are being built and a narrow gauge railway is also going under ground.

(It is going to cause some disruption until the tunnels are completed, not before 1991. By the time a pedestrian area has been laid out, a new marina built and multi-storey car parks are established, also below ground, the best part of SFr 1hm (about \$370m) will have been spent.)

In the business they attach most importance to what Mr Paolo Brunetti, director of Locarno's tourist office, calls "touristic culture," or personal contact between guest and hotel keeper. It can take many forms besides a cheery "good morning."

forms besides a cheery "good morning."
There are hosts who take guests (provided they are willing, one hopes) for country walks at surrise; at Locarno a hotel keeper loads guests into a 1920s nostalgia hus and shows them how flour used to be milled and baked in the old days. He rounds off with a musical barbecue because, he says, making guests chummy with each other is a good way to make them come back.

W L Luetkens

#### Agricultural subsidies come under pressure

# Peasants may feel the pinch

THE Second World War has cast some long and curious shadows. But one of the more lasting shades has been the privileged position offered to

After losing both prestige and economic importance during the 1930s, the status of peasants in Swiss society was firmly re-established by their success in producing enough food during the war for Switzerland to be come self-sufficient.

A significant legacy of that success has been that Swiss farmers remain among the most protected in Europe. Indeed, their position is guaranteed by the constitution, which states the necessity of maintaining measures to keep a strong peasant population. However, that position looks set to be challenged both inter-

One of the main threats to comes from the Uruguay Round of multilateral trade talks now being negotiated

nationally and from within

After the breakthrough achieved this month at the Uruguay Round by representatives of the US, the European Community and the 13-nation Cairns group of independent farm producers, in making a substantial reduction in agricultural subsidies, Switzerland is likely to come under pressure to do likewise.

Swiss agriculture is particularly vulnerable because of the high level of protection offered by the Government. For example, Berne guarantees the price of a quintal of wheat at SFr 105. This compares with SFr 40 in the EC, SFr 20 in the US and about SFr 12 on the open market.

That level of subsidy will also come under increasing scrutiny from the European Community. The Swiss authorities are particularly auxious to avoid friction with the EC over agriculture at a time when they are negotiating with Brussels about the country's relationship with the EC after the creation of a single market in 1992.

In meeting these pressures from Gatt and the European community, the Swiss Government admits that it finds itself faced with a paradox. On the one hand, it wants to protect its agricultural sector — a policy which almost inevitably necessitates subsidies. On the other hand, it is committed to

free trade. It estimates that as much as a third of the country's GNP is experted.
"Our position may appear paradoxical, but it is not contradictory," says Mr David de Pury, one of the Swiss negotia-

"Our level of self-sufficiency in food production is around 65 per cent — only Hong Kong has a lower figure. All countries want to maintain a degree of a gricultural self-sufficiency. And if we do subvent agricultural production, it is certainly not so that our farmers can flood the world market with cheap

the world market with cheap cheese," says Mr de Pury.
"Nevertheless, we live off the international trading system. One in every two francs earned in Switzerland is through export. We cannot afford to lose credibility by moving our agricultural policy in the wrong direction against the trend towards liberalisa-

tion," he admits.

Mr de Pury believes that eventually Switzerland will have to freeze agriculinral subsidies to meet pressure from Gatt, but adds that some flexibility will have to remain within the system for special

The recognition that subsidies may have to be frozen, or even reduced, has been made easier by increasing domestic concern about the high cost of

such policies.

Both consumers and retailers have seemed more reluctant to support high prices. The first wind of revolt appeared in September 1986, when in a referendum Swiss voters refused to support an

200

150

Agricultural self-sufficiency

increase in subsidies for sugar beet production.

Their rejection was motivated by what was perceived as the unacceptable cost of existing subsidies. Merely in direct support, the Federal Government spent SFr 2.4bn in 1988 on farmers.

in 1988 on farmers.

But Migros, the Zurichbased retailing group, which
has been orchestrating the
campaign against high prices,
argues that taxpayers are
being doubly penalised. As

Berne guarantees a wheat price of SFr 105 a quintal, which compares with SFr 40 in the EC and about SFr 12 on the open market

consumers, they are also obliged to pay high prices in the shops.

Migros points out that meat,

Migros points out that meat, sugar, vegetables and fruit are between two and three times as expensive as on the other side of the frontier in the EC. As a combined result of subsidies and these price levels, the true cost of subventing Swiss agriculture has been estimated at SFr 5bn to SFr Sbn.

at SFr 5bn to SFr 6bn.

The farmers themselves accept that change will occur – even admitting that such a process is more or less natural. However, they argue that peasants will continue to require help in the future. Nevertheless, their arguments

have changed in emphasis. Now they stress the need to protect the environment rather than to maintain levels of auto-sufficiency.

"We have another mission."

of anto-suncteacy.

"We have another mission
besides production," says Mr
Jean Savary, president of
l'Union Suisse des Paysans.
"In the long term, the environment naeds protecting — and,
one way or another, peasants
are the most economic way of

doing that."

One method to achieve that objective is through direct payments which are not linked to production—a solution favoured by some members of the Swiss team negotiating at the Uruguay Round.

the Uruguay Round.

However, Mr Savary is hostile to such a policy. At least, he is hostile to the words "direct payments" because of the suggestion that peasants might become civil servants. That could be yet another disincentive for young peasants to stay in the countryside.

Mr Savary points out that the peasant sector has already declined as a proportion of the active population from 15 per cent in 1945 to about 6 per cent. There are now only 120,000 peasant farms in the country and only half of those working on them sustain themselves exclusively through agriculture.

through agriculture.

"One of the possibilities available is to have payments for helping nature, but that is not going to solve all the problems," says Mr Savary.

"If we are to keep farmers

"If we are to keep farmers producing throughout the country — and avoid the descrited villages which now exist in France and Germany — then we have to keep the profession attractive by maintaining financial independence."

ing financial independence."
Mr Savary believes that this could be achieved through greater concentration on quality products. These could be carefully marketed with clearly differentiated labels as is the case in France.

A review of the position of

A review of the position to Swiss agricultural policy in the economy is about to get under way, analysts believe. The outcome of that review, driven by a combination of the declining political power of the peasants together with increasing domestic and international pressures, should mean that the sector is on the threshold of a fundamental period of restructuring.

Paul Abrahams

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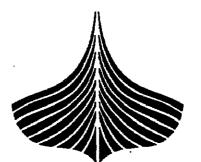
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